Yapı ve Kredi Bankası A.Ş.

Publicly announced consolidated financial statements and related disclosures at June 30, 2018 together with auditor's review report

(Convenience translation of publicly announced consolidated financial statements and independent auditor's report originally issued in Turkish, See Note 1. of Section three)

AUDITOR'S REVIEW REPORT ON INTERIM FINANCIAL INFORMATION

(Convenience translation of the independent auditor's review report originally issued in Turkish, See Note I of Section Three)

To the General Assembly of Yapı ve Kredi Bankası A.Ş.;

Introduction

We have reviewed the consolidated balance sheet of Yapı ve Kredi Bankası A.Ş. ("the Bank") and its consolidated subsidiaries (collectively referred to as "the Group") at 30 June 2018 and the related consolidated income statement, consolidated statement of income and expense items under shareholders' equity, consolidated statement of changes in shareholders' equity, consolidated statement of cash flows and a summary of significant accounting policies and other explanatory notes to the consolidated financial statements for the six-month-period then ended. The Bank Management is responsible for the preparation and fair presentation of interim financial information in accordance with the Banking Regulation and Supervision Agency ("BRSA") Accounting and Reporting Legislation which includes "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by BRSA and Turkish Accounting Standard 34 "Interim Financial Reporting" for those matters not regulated by the aforementioned regulations. Our responsibility is to express a conclusion on these interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the Standard on Review Engagements (SRE) 2410, "Limited Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial reporting process, and applying analytical and other review procedures. A review of interim financial information is substantially less in scope than an independent audit performed in accordance with the Independent Auditing Standards and the objective of which is to express an opinion on the financial statements. Consequently, a review of the interim financial information does not provide assurance that the audit firm will be aware of all significant matters which would have been identified in an audit. Accordingly, we do not express an opinion.

Conclusion

Based on our review nothing has come to our attention that causes us to believe that the accompanying consolidated financial information does not present fairly in all material respects the financial position of Yapı ve Kredi Bankası A.Ş. and its consolidated subsidiaries at 30 June 2018 and of the results of its operations and its cash flows for the six-month-period then ended in accordance with the BRSA Accounting and Financial Reporting Legislation.

Report on other regulatory requirements arising from legislation

Based on our review, nothing has come to our attention that causes us to believe that the financial information provided in the accompanying interim activity report in Section Seven, is not consistent with the reviewed consolidated financial statements and disclosures in all material respects.

Additional Paragraph for Convenience Translation:

The effects of differences between accounting principles and standards explained in detail in Section Three and accounting principles generally accepted in countries in which the accompanying consolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying consolidated financial statements. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.

Halûk Yalçın, SMMM
Partner

Istanbul, 31 July 2018

Convenience translation of publicly announced consolidated financial statements and audit report originally issued in Turkish, See Note 1. of Section three

YAPI VE KREDI BANKASI A.Ş.
THE CONSOLIDATED INTERIM FINANCIAL REPORT OF AS OF JUNE 30, 2018

Address	: Yapı Kredi Plaza D-Blok Levent, 34330, İstanbul
Telephone number	: 0212 339 70 00
Fax number	: 0212 339 60 00
Web Site	: www.yapikredi.com.tr
E-Mail	: financialreports@yapikredi.com.tr

The consolidated financial report for the six month whichs is prepared in accordance with the "Communiqué Related to Publicly Announced Financial Statements of Banks and Explanations and Notes Related to these Financial Statements" as regulated by the Banking Regulation and Supervision Agency includes the following sections.

- **GENERAL INFORMATION ABOUT THE PARENT BANK**
- **CONSOLIDATED FINANCIAL STATEMENTS OF THE PARENT BANK**
- **EXPLANATIONS ON ACCOUNTING POLICIES APPLIED IN THE RELATED PERIOD**
- **INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP**
- **EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS**
- **INDEPENDENT AUDITOR'S REVIEW REPORT**
- **INTERIM ACTIVITY REPORT**

Investments in subsidiaries, associates and joint ventures, whose financial statements have been consolidated in these consolidated financial statements are as follows.

Subsidiaries	Associates	Joint Ventures
1. Yapı Kredi Finansal Kiralama A.O. 2. Yapı Kredi Faktoring A.Ş. 3. Yapı Kredi Yatırım Menkul Değerler A.Ş. 4. Yapı Kredi Portföy Yönetimi A.Ş. 5. Yapı Kredi Holding B.V. 6. Yapı Kredi Bank Nederland N.V. 7. Stichting Custody Services YKB 8. Yapı Kredi Bank Azerbaijan CJSC 9. Yapı Kredi Bank Malta Ltd.	1. Banque de Commerce et de Placements S.A. 2. Allianz Yaşam ve Emeklilik A.Ş.	1. Yapı Kredi Koray Gayrimenkul Yatırım Ortaklığı A.Ş.

Although Yapı Kredi Diversified Payment Rights Finance Company (the Structured Entity) is not a subsidiary of the Bank, it has been included in the consolidation since the Bank has 100% control.

The accompanying consolidated financial statements for the six months and notes to these financial statements which are expressed, in **thousands of Turkish Lira**, (unless otherwise stated) have been presented based on the accounting books of the Bank prepared in accordance with the Regulation on the Principles and Procedures Regarding Banks' Accounting Applications and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards and related appendices and interpretations of these, and have been independently reviewed and are presented enclosed.

Y. Ali KOÇ **Chairman of the Board of Directors**	**Gökhan ERÜN** **Executive Director and Chief Executive Officer**	**Massimo FRANCESE** **Chief Financial Officer**
B. Seda İKİZLER **Financial Reporting and Accounting Executive Vice President**	**Wolfgang SCHILK** **Chairman of Audit Committee**	**Adil G. ÖZTOPRAK** **Member of Audit Committee**

Contact information of the personnel in charge of the addressing of questions about this financial report:

Name-Surname / Title	: Umut Hallaç / International Reporting & Consolidation Manager
Telephone Number	: 0212 339 98 87
Fax Number	: 0212 339 61 05

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

Section One - General Information

1. History of the Parent Bank including its incorporation date, initial legal status and amendments to legal status:

Yapı ve Kredi Bankası A.Ş. ("the Bank", "Yapı Kredi" or "the Parent Bank"), was established and started operations on September 9, 1944 with the permission of the Council of Ministers No. 3/6710 as a private capital commercial bank authorised to perform all banking, economic, financial and commercial activities which are allowed by the laws of the Turkish Republic. The statute of the Bank has not changed since its incorporation.

2. Explanation about the Parent Bank's capital structure, shareholders holding directly or indirectly, collectively or individually, the management and controlling power and changes in current year, if any and explanations on the controlling Group of the Bank:

The Parent Bank's publicly traded shares are traded on the Borsa Istanbul ("BIST") since 1987 and the representatives of these shares, Global Depository Receipts, are quoted at the London Stock Exchange. As of June 30, 2018, almost 18,10% of the shares of the Bank are publicly traded (December 31, 2017, - 18,20%). The remaining 81,90% is owned by Koç Finansal Hizmetler A.Ş. ("KFS"), a joint venture of UniCredit ("UCG") and Koç Group.

KFS was established on March 16, 2001 to combine Koç Group finance companies under one organisation and it became the main shareholder of Koçbank in 2002. On October 22, 2002, Koç Group established a strategic partnership with UCG over KFS.

In 2005, the Bank's shares that were owned by Çukurova Group Companies and the Saving Deposits Insurance Fund ("SDIF") were purchased by Koçbank. In 2006, Koçbank purchased additional shares of the Bank from BIST and an investment fund and, during the same year, all rights, receivables, debts and liabilities of Koçbank were transferred to the Bank pursuant the merger of the two banks. As a result of the merger and the share transfer procedures in 2007 and of a capital increase by TL 920 million in 2008, KFS shares in the Parent Bank increased to 81,80%. As of June 29, 2018, due to capital increase by TL 4,1 billion, KFS shares increased to 81,90%.

In 2006 and 2007, with the acquisition of Yapı Kredi and its subsidiaries, KFS Group launched structural reorganisation and the following subsidiaries is still under the control of group were legally merged:

Merging entities		Merger date	Merged entity
Yapı Kredi	Koçbank	October 2, 2006	Yapı Kredi
Yapı Kredi Finansal Kiralama A.O. ("Yapı Kredi Leasing")	Koç Leasing	December 25, 2006	Yapı Kredi Leasing
Yapı Kredi Faktoring A.Ş. ("Yapı Kredi Faktoring")	Koç Faktoring	December 29, 2006	Yapı Kredi Faktoring
Yapı Kredi Portföy Yönetimi A.Ş. ("Yapı Kredi Portföy")	Koç Portföy	December 29, 2006	Yapı Kredi Portföy
Yapı Kredi Yatırım Menkul Değerler A.Ş. ("Yapı Kredi Menkul")	Koç Yatırım	January 12, 2007	Yapı Kredi Menkul
Yapı Kredi Bank Nederland N.V. ("Yapı Kredi NV")	Koçbank Nederland N.V.	July 2, 2007	Yapı Kredi NV

After the merger and the share transfer procedures in 2007 and of a capital increase in 2008 and 2018, KFS owns 81,90% of the shares of the Parent Bank.

3. Explanations regarding the board of directors, members of the audit committee, Chief Executive Officer and executive vice presidents, and their areas of responsibility and shares if any:

As of June 30, 2018 the Parent Bank's Board of Directors, Members of the Audit Committee, General Manager and Assistant General Managers are as follows:

Board of Directors Members:

Name	Responsibility
Y. Ali KOÇ	Chairman
Carlo VIVALDI	Vice Chairman
Gökhan ERÜN	Executive Director and CEO
Niccolò UBERTALLI	Executive Director and Deputy CEO
A. Ümit TAFTALI	Member
Adil Giray ÖZTOPRAK	Independent Member
Ahmet Fadıl ASHABOĞLU	Member
F. Füsun Akkal BOZOK	Member
Francesco GIORDANO	Member
Gianfranco BISAGNI	Member
Giovanna VILLA	Independent Member
Levent ÇAKIROĞLU	Member
Mirko D.G. BIANCHI	Member
Wolfgang SCHILK	Independent Member

Audit Committee Members:

Name	Responsibility
Wolfgang SCHILK	Chairman
Adil Giray ÖZTOPRAK	Member
Giovanna VILLA	Member

General Manager and Deputy General Manager:

Name	Responsibility
Gökhan ERÜN	Executive Director and CEO
Niccolò UBERTALLI	Executive Director and Deputy CEO

Assistant General Managers (1):

Name	Responsibility
Akif Cahit ERDOĞAN	Information Technologies and Operation Management
Cemal Aybars SANAL	Legal Activities Management
Demir KARAASLAN	Retail Credits Management
Erhan ADALI	Corporate and Commercial Banking Management
Giovanni Battista AVANZI	Internal Audit / Chief Audit Executive
Massimo FRANCESE	Financial Planning and Administration Management
Mehmet Erkan ÖZDEMİR	Compliance and Internal Control / Consumer Relations Coordination Officer
Mert YAZICIOĞLU	Private Banking and Wealth Management
Nurgün EYÜBOĞLU	Corporate and Commercial Credit Management
Patrick Josef SCHMITT(2)	Risk Management
Saruhan YÜCEL(3)	Treasury Management
Serkan ÜLGEN	Retail Banking Management
Yakup DOĞAN	Alternative Distribution Channels

(1) Mehmet Gökmen Ucar Assistant General Manager responsible for Human Resources and Organization Management in Bank has resigned from his position. No appointment has been made yet.
(2) Patrick Josef Schmitt, who served as Chief Risk Officer resigned as of May 31, 2018. Albert Angersbach was appointed as Chief Risk Officer following approval of his work permit.
(3) Saruhan Yücel was appointed as Assistant General Manager in charge of Treasury Management as of June 14, 2018.

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

4. Information on the individual and corporate shareholders having control shares of the Parent Bank:

Name/Commercial title	Share amounts (nominal)	Share percentage	Paid-in capital (nominal)	Unpaid portion
Koç Finansal Hizmetler A.Ş.	6.918.131.285,23	81,90	6.918.131.285,23	-

Koç Finansal Hizmetler A.Ş. is a joint venture of Koç Group, UniCredit Group and Temel Ticaret ve Yatırım A.Ş.

5. Summary information on the Parent Bank's activities and service types:

The Parent Bank's activities summarized in the section 3 of the articles of association are as follows:

The Parent Bank's purpose and subject matter in accordance with the Banking Law, regulations and existing laws include:

- The execution of all banking activities,
- The execution of all economic and financial activities which are allowed by the regulation,
- The execution of the representation, attorney and agency activities related to the subjects written above,
- The purchase and sale of share certificates, bonds and all the capital market instruments, in accordance with Capital Market Law and regulations.

In case of necessity for performing activities which are useful and required but that are not specified in the articles of association, a Board of Directors' proposal is to be presented to the General Assembly. With the approval of the General Assembly the proposal becomes applicable, subject to the approvals required by law.

As of June 30, 2018, the Parent Bank has 865 branches operating in Turkey and 1 branch in overseas (December 31, 2017 - 865 branches operating in Turkey, 1 branch in overseas).

As of June 30, 2018, the Parent Bank has 18.327 employees (December 31, 2017 - 17.944 employees). The Parent Bank together with its consolidated subsidiaries is referred to as the "Group" in these consolidated financial statements. As of June 30, 2018 the Group has 19.198 employees (December 31, 2017 - 18.839 employees).

6. Differences between the communiqué on preparation of consolidated financial statements of Banks and Turkish Accounting Standards and short explanation about the entities subject to full consolidation or proportional consolidation and entities which are deducted from equity or entities which are not included in these three methods:

According to Communiqué of the Preparation Consolidated Financial Statements and Turkish Accounting Standards, Banque de Commerce et de Placements SA, one of the associates of the Bank, and Yapı Kredi Koray Gayrimenkul Yatırım Ortaklığı, an entity under common control, are consolidated through "Equity Method" in the accompanying consolidated financial statements of the Group. Allianz Yaşam ve Emeklilik A.Ş., on which the Bank has indirect participation, is also consolidated through "Equity Method" in the consolidated financial statements of the Group. These entities are taken into account as a deduction item in shareholders' equity for the purpose of calculation of capital adequacy ratio.

Yapı Kredi Kültür Sanat Yayıncılık Tic. ve San. A.Ş., and Enternasyonal Turizm Yatırım A.Ş., which are subsidiaries of the Bank, are not consolidated into the Bank's consolidated financial statements in accordance with Communiqué on Preparation of Consolidated Financial Statements since these entities are not financial institutions.

All other subsidiaries are fully consolidated.

7. The existing or potential, actual or legal obstacles on the immediate transfer of shareholder's equity between the Bank and its subsidiaries or reimbursement of liabilities:

None.

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”))

Section two - Consolidated financial statements

1. Consolidated balance sheet (Statement of Financial Position)

					Current Period (30/06/2018)
	Assets	**Note (Section five)**	**TL**	**FC**	**Total**
I.	**FINANCIAL ASSETS (Net)**		**55.268.333**	**58.833.278**	**114.101.611**
1.1	**Cash and cash equilvalents**	**1.1**	**13.522.968**	**45.199.847**	**58.722.815**
1.1.1	Cash and balances at Central Bank		11.096.741	35.482.266	46.579.007
1.1.2	Banks	1.4	1.271.594	8.523.010	9.794.604
1.1.3	Receivables from Money Markets		1.154.633	1.194.571	2.349.204
1.2	**Financial assets at fair value through profit or loss**	**1.2**	**102.754**	**183.078**	**285.832**
1.2.1	Public debt securities		28.911	33.690	62.601
1.2.2	Equity instruments		26.300	147.498	173.798
1.2.3	Other financial assets		47.543	1.890	49.433
1.3	**Financial assets at fair value through other comprehensive income**	**1.5,6**	**21.054.488**	**3.549.458**	**24.603.946**
1.3.1	Public debt securities		20.956.556	1.916.763	22.873.319
1.3.2	Equity instruments		63.478	2.331	65.809
1.3.3	Other financial assets		34.454	1.630.364	1.664.818
1.4	**Financial assets measured at amortised cost**	**1.8**	**11.588.728**	**8.725.817**	**20.314.545**
1.4.1	Public debt securities		11.588.728	8.011.735	19.600.463
1.4.2	Other financial assets		-	714.082	714.082
1.5	**Derivative financial assets**	**1.3**	**9.033.342**	**1.229.353**	**10.262.695**
1.5.1	Derivative financial assets at fair value through profit or loss	1.3.1,2	5.483.443	839.697	6.323.140
1.5.2	Derivative financial assets at fair value through other comprehensive income	1.3.2	3.549.899	389.656	3.939.555
1.6	**Non-performing financial assets**		**-**	**-**	**-**
1.7	**Allowance for expected credit losses (-)**		**33.947**	**54.275**	**88.222**
II.	**LOANS (Net)**	**1.7**	**133.068.706**	**103.292.959**	**236.361.665**
2.1	**Loans**		**129.626.549**	**92.549.073**	**222.175.622**
2.1.1	Loans measured at amortised cost		129.626.549	92.549.073	222.175.622
2.1.2	Loans at fair value through profit or loss		-	-	-
2.1.3	Loans at fair value through other comprehensive income		-	-	-
2.2	**Receivables from leasing transactions**	**1.12**	**2.232.884**	**9.277.927**	**11.510.811**
2.2.1	Finance lease receivables		2.842.710	10.702.672	13.545.382
2.2.2	Operational lease receivables		-	-	-
2.2.3	Unearned income (-)		609.826	1.424.745	2.034.571
2.3	**Factoring receivables**		**1.797.236**	**2.471.193**	**4.268.429**
2.3.1	Factoring receivables measured at amortised cost		1.797.236	2.471.193	4.268.429
2.3.2	Factoring receivables at fair value through profit or loss		-	-	-
2.3.3	Factoring receivables at fair value through other comprehensive income		-	-	-
2.4	**Non-performing loans**	**1.7.8**	**8.383.970**	**951.920**	**9.335.890**
2.5	**Allowance for expected credit losses (-)**		**8.971.933**	**1.957.154**	**10.929.087**
2.5.1	.12-Month expected credit losses (Stage 1)		1.226.100	806.890	2.032.990
2.5.2	Significant increase in credit risk (Stage 2)		704.313	489.936	1.194.249
2.5.3	Credit-Impaired (Stage 3)	1.7.7	7.041.520	660.328	7.701.848
III.	**NON-CURRENTS ASSETS OR DISPOSAL GROUPS "HELD FOR SALE" AND "FROM DISCONTINUED OPERATIONS (Net)**	**1.15**	**235.554**	**7.080**	**242.634**
3.1	Held for sale		235.554	7.080	242.634
3.2	Held from discontinued operations		-	-	-
IV.	**INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES**		**268.906**	**647.803**	**916.709**
4.1	**Investments in associates (Net)**	**1.9**	**243.208**	**647.803**	**891.011**
4.1.1	Associates accounted by using equity method		237.107	647.803	884.910
4.1.2	Non-consolidated associates		6.101	-	6.101
4.2	**Investments in subsidiaries (Net)**	**1.10**	**7.300**	**-**	**7.300**
4.2.1	Non-consolidated financial subsidiaries		-	-	-
4.2.2	Non-consolidated non-financial subsidiaries		7.300	-	7.300
4.3	**Jointly Controlled Partnerships (Joint Ventures) (Net)**	**1.11**	**18.398**	**-**	**18.398**
4.3.1	Jointly controlled partnerships accounted by using equity method		18.398	-	18.398
4.3.2	Non-consolidated jointly controlled partnerships		-	-	-
V.	**TANGIBLE ASSETS (Net)**		**3.168.069**	**17.066**	**3.185.135**
VI.	**INTANGIBLE ASSETS AND GOODWILL (Net)**		**1.697.682**	**22.377**	**1.720.059**
6.1	Goodwill		979.493	-	979.493
6.2	Other		718.189	22.377	740.566
VII.	**INVESTMENT PROPERTIES (Net)**	**1.13**	**-**	**-**	**-**
VIII.	**CURRENT TAX ASSETS**		**-**	**17.734**	**17.734**
IX.	**DEFERRED TAX ASSETS**	**1.14**	**222.283**	**-**	**222.283**
X.	**OTHER ASSETS**	**1.16**	**2.828.732**	**5.469.592**	**8.298.324**
	TOTAL ASSETS		**196.758.265**	**168.307.889**	**365.066.154**

Yapı ve Kredi Bankası A.Ş.
Consolidated financial statements as of December 31, 2017
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

					Prior Period (31/12/2017)
	Assets	**Note (Section Five)**	**TL**	**FC**	**Total**
I.	**Cash and balances with Central Bank**	**1.1**	**7.595.701**	**34.856.269**	**42.451.970**
II.	**Financial assets at fair value through profit or (loss) (net)**	**1.2**	**3.681.893**	**548.187**	**4.230.080**
2.1	Trading financial assets		3.681.893	548.187	4.230.080
2.1.1	Government debt securities		26.584	30.396	56.980
2.1.2	Share certificates		38.442	-	38.442
2.1.3	Derivative financial assets held for trading	1.3	3.609.726	517.791	4.127.517
2.1.4	Other marketable securities		7.141	-	7.141
2.2	Financial assets designated at fair value through profit /(loss)		-	-	-
2.2.1	Government debt securities		-	-	-
2.2.2	Share certificates		-	-	-
2.2.3	Loans		-	-	-
2.2.4	Other marketable securities		-	-	-
III.	**Banks**	**1.4**	**81.883**	**4.755.329**	**4.837.212**
IV.	**Money markets**		**4.215**	**812.790**	**817.005**
4.1	Interbank money market placements		-	812.790	812.790
4.2	Receivables from Istanbul Stock Exchange Money Market		4.097	-	4.097
4.3	Receivables from reverse repurchase agreements		118	-	118
V.	**Financial assets available-for-sale (net)**	**1.5,6**	**21.300.288**	**3.196.236**	**24.496.524**
5.1	Share certificates		61.114	96.693	157.807
5.2	Government debt securities		20.856.199	1.631.451	22.487.650
5.3	Other marketable securities		382.975	1.468.092	1.851.067
VI.	**Loans and receivables**	**1.7**	**128.114.248**	**73.884.539**	**201.998.787**
6.1	Loans and receivables		126.036.381	73.837.686	199.874.067
6.1.1	Loans to bank's risk group		1.696.954	970.762	2.667.716
6.1.2	Government debt securities		-	-	-
6.1.3	Other		124.339.427	72.866.924	197.206.351
6.2	Loans under follow-up		9.024.397	139.187	9.163.584
6.3	Specific provisions (-)		(6.946.530)	(92.334)	(7.038.864)
VII.	**Factoring receivables**		**1.812.219**	**2.030.948**	**3.843.167**
VIII.	**Held-to-maturity investments (net)**	**1.8**	**6.771.736**	**7.425.330**	**14.197.066**
8.1	Government debt securities		6.771.736	6.574.845	13.346.581
8.2	Other marketable securities		-	850.485	850.485
IX.	**Investments in associates (net)**	**1.9**	**247.144**	**529.384**	**776.528**
9.1	Consolidated based on equity method		242.641	529.384	772.025
9.2	Unconsolidated		4.503	-	4.503
9.2.1	Investments in financial associates		-	-	-
9.2.2	Investments in non-financial associates		4.503	-	4.503
X.	**Subsidiaries (net)**	**1.10**	**7.300**	**-**	**7.300**
10.1	Unconsolidated financial subsidiaries		-	-	-
10.2	Unconsolidated non-financial subsidiaries		7.300	-	7.300
XI.	**Joint ventures (net)**	**1.11**	**18.386**	**-**	**18.386**
11.1	Accounted based on equity method		18.386	-	18.386
11.2	Unconsolidated		-	-	-
11.2.1	Financial joint ventures		-	-	-
11.2.2	Non-financial joint ventures		-	-	-
XII.	**Lease receivables**	**1.12**	**2.181.856**	**8.129.868**	**10.311.724**
12.1	Financial lease receivables		2.767.260	9.419.554	12.186.814
12.2	Operating lease receivables		-	-	-
12.3	Other		-	-	-
12.4	Unearned income (-)		(585.404)	(1.289.686)	(1.875.090)
XIII.	**Derivative financial assets held for hedging**		**1.587.942**	**168.669**	**1.756.611**
13.1	Fair value hedge		67.028	1.188	68.216
13.2	Cash flow hedge		1.520.914	167.481	1.688.395
13.3	Foreign net investment hedge		-	-	-
XIV.	**Property and equipment (net)**		**2.596.539**	**15.310**	**2.611.849**
XV.	**Intangible assets (net)**		**1.663.441**	**18.785**	**1.682.226**
15.1	Goodwill		979.493	-	979.493
15.2	Other		683.948	18.785	702.733
XVI.	**Investment property (net)**	**1.13**	**-**	**-**	**-**
XVII.	**Tax asset**		**68.080**	**-**	**68.080**
17.1	Current tax asset		14.766	-	14.766
17.2	Deferred tax asset	1.14	53.314	-	53.314
XVIII.	**Assets held for resale and related to discontinued operations (net)**	**1.15**	**204.048**	**5.806**	**209.854**
18.1	Held for sale purposes		204.048	5.806	209.854
18.2	Related to discontinued operations		-	-	-
XIX.	**Other assets**	**1.16**	**2.467.613**	**3.284.136**	**5.751.749**
	Total assets		**180.404.532**	**139.661.586**	**320.066.118**

The accompanying explanations and notes form an integral part of these consolidated financial statements.

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

1. Consolidated balance sheet (Statement of Financial Position)

					Current Period (30/06/2018)
	Liabilities	**Note (Section Five)**	**TL**	**FC**	**Total**
I.	**DEPOSITS**	**2.1**	**80.052.377**	**112.772.336**	**192.824.713**
II.	**LOANS RECEIVED**	**2.3.1**	**2.134.045**	**46.225.686**	**48.359.731**
III.	**MONEY MARKET FUNDS**		**16.149.859**	**728.733**	**16.878.592**
IV.	**MARKETABLE SECURITIES ISSUED (Net)**	**2.3.3**	**5.700.674**	**17.749.873**	**23.450.547**
4.1	Bills		2.039.375	-	2.039.375
4.2	Asset backed securities		-	3.544.498	3.544.498
4.3	Bonds		3.661.299	14.205.375	17.866.674
V.	**FUNDS**		-	-	-
5.1	Borrower funds		-	-	-
5.2	Other		-	-	-
VI.	**FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS**	**2.3.4**	-	**6.435.912**	**6.435.912**
VII.	**DERIVATIVE FINANCIAL LIABILITIES**	**2.2**	**5.781.907**	**810.847**	**6.592.754**
7.1	Derivative financial liabilities at fair value through profit or loss		5.633.520	780.468	6.413.988
7.2	Derivative financial liabilities at fair value through other comprehensive income		148.387	30.379	178.766
VIII.	**FACTORING PAYABLES**		-	-	-
IX.	**LEASE PAYABLES**	**2.5**	-	-	-
9.1	Finance lease payables		-	-	-
9.2	Operating lease payables	2.5.2	-	-	-
9.3	Other		-	-	-
9.4	Deferred finance lease expenses (-)		-	-	-
X.	**PROVISIONS**	**2.6**	**2.537.401**	**572.152**	**3.109.553**
10.1	Provision for restructuring		-	-	-
10.2	Reserves for employee benefits	2.6.2	654.393	2.304	656.697
10.3	Insurance technical reserves (Net)		-	-	-
10.4	Other provisions	2.6.4	1.883.008	569.848	2.452.856
XI.	**CURRENT TAX LIABILITIES**	**2.7**	**590.072**	**1.274**	**591.346**
XII.	**DEFERRED TAX LIABILITIES**		**11.228**	**9.152**	**20.380**
XIII.	**LIABILITIES RELATED TO NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)**	**2.8**	-	-	-
13.1	Held for sale		-	-	-
13.2	Related to discontinued operations		-	-	-
XIV.	**SUBORDINATED DEBT**	**2.9**	-	**11.750.820**	**11.750.820**
14.1	Loans		-	4.830.971	4.830.971
14.2	Other debt instruments		-	6.919.849	6.919.849
XV.	**OTHER LIABILITIES**	**2.4**	**12.474.664**	**4.771.904**	**17.246.568**
XVI.	**SHAREHOLDERS` EQUITY**	**2.10**	**37.728.535**	**76.703**	**37.805.238**
16.1	Paid-in capital		8.447.051	-	8.447.051
16.2	Capital reserves		2.004.657	-	2.004.657
16.2.1	Equity share premiums		556.937	-	556.937
16.2.2	Share cancellation profits		-	-	-
16.2.3	Other capital reserves		1.447.720	-	1.447.720
16.3	Other accumulated comprehensive income that will not be reclassified in profit or loss		1.649.464	7.315	1.656.779
16.4	Other accumulated comprehensive income that will be reclassified in profit or loss		1.679.019	110.795	1.789.814
16.5	Profit reserves		19.836.600	(41.407)	19.795.193
16.5.1	Legal reserves		869.410	-	869.410
16.5.2	Statutory reserves		-	-	-
16.5.3	Extraordinary reserves		18.959.274	(41.407)	18.917.867
16.5.4	Other profit reserves		7.916	-	7.916
16.6	Profit or loss		4.111.186	-	4.111.186
16.6.1	Prior years' profits or losses		1.639.954	-	1.639.954
16.6.2	Current period net profit or loss		2.471.232	-	2.471.232
16.7	Minority interest		558	-	558
	TOTAL LIABILITIES		**163.160.762**	**201.905.392**	**365.066.154**

Yapı ve Kredi Bankası A.Ş.
Consolidated financial statements as of December 31, 2017
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

					Prior Period (31/12/2017)
	Liabilities	**Note (Section Five)**	**TL**	**FC**	**Total**
I.	**Deposits**	**2.1**	**75.881.343**	**97.502.290**	**173.383.633**
1.1	Deposits of the Bank's risk group		7.462.541	16.486.429	23.948.970
1.2	Other		68.418.802	81.015.861	149.434.663
II.	**Derivative financial liabilities held for trading**	**2.2**	**3.537.677**	**283.028**	**3.820.705**
III.	**Funds borrowed**		**2.292.830**	**40.057.223**	**42.350.053**
IV.	**Money markets**		**15.433.064**	**623.076**	**16.056.140**
4.1	Funds from interbank money market		3.703.931	-	3.703.931
4.2	Funds from Istanbul stock exchange money market		2.925.828	-	2.925.828
4.3	Funds provided under repurchase agreements		8.803.305	623.076	9.426.381
V.	**Marketable securities issued (net)**	**2.3.3**	**4.796.710**	**18.481.161**	**23.277.871**
5.1	Bills		1.212.509	107.682	1.320.191
5.2	Asset backed securities		-	8.278.912	8.278.912
5.3	Bonds		3.584.201	10.094.567	13.678.768
VI.	**Funds**		**-**	**-**	**-**
6.1	Borrower funds		-	-	-
6.2	Other		-	-	-
VII.	**Miscellaneous payables**		**10.462.397**	**2.291.832**	**12.754.229**
VIII.	**Other liabilities**	**2.4**	**1.386.759**	**555.067**	**1.941.826**
IX.	**Factoring payables**		**-**	**-**	**-**
X.	**Lease payables**	**2.5**	**-**	**-**	**-**
10.1	Financial lease payables		-	-	-
10.2	Operational lease payables		-	-	-
10.3	Other		-	-	-
10.4	Deferred lease expenses (-)		-	-	-
XI.	**Derivative financial liabilities held for hedging**		**300.335**	**12.443**	**312.778**
11.1	Fair value hedge		205.148	63	205.211
11.2	Cash flow hedge		95.187	12.380	107.567
11.3	Foreign net investment hedge		-	-	-
XII.	**Provisions**	**2.6**	**4.137.465**	**1.345.038**	**5.482.503**
12.1	General loan loss provision		2.162.793	1.248.012	3.410.805
12.2	Restructuring provisions		-	-	-
12.3	Reserve for employee rights		581.606	2.773	584.379
12.4	Insurance technical provisions (net)		-	-	-
12.5	Other provisions	2.6.4	1.393.066	94.253	1.487.319
XIII.	**Tax liability**	**2.7**	**846.595**	**19.155**	**865.750**
13.1	Current tax liability		628.470	12.002	640.472
13.2	Deferred tax liability	2.7.3	218.125	7.153	225.278
XIV.	**Liabilities for property and equipment held for sale and related to discontinued operations (net)**	**2.8**	**-**	**-**	**-**
14.1	Held for sale		-	-	-
14.2	Related to discontinued operations		-	-	-
XV.	**Subordinated loans**	**2.9**	**-**	**9.718.804**	**9.718.804**
XVI.	**Shareholders' equity**	**2.10**	**29.873.141**	**228.685**	**30.101.826**
16.1	Paid-in capital		4.347.051	-	4.347.051
16.2	Capital reserves		2.574.496	228.685	2.803.181
16.2.1	Share premium		543.881	-	543.881
16.2.2	Share cancellation profits		-	-	-
16.2.3	Marketable securities valuation differences		(445.780)	60.864	(384.916)
16.2.4	Property and equipment revaluation differences		1.373.713	7.315	1.381.028
16.2.5	Intangible assets revaluation differences		-	-	-
16.2.6	Revaluation differences of investment property		-	-	-
16.2.7	Bonus shares from investments in associates, subsidiaries and joint ventures		5.667	-	5.667
16.2.8	Hedging funds (effective portion)		(42.581)	160.506	117.925
16.2.9	Value increase in assets held for sale and related to discontinued operations		-	-	-
16.2.10	Other capital reserves		1.139.596	-	1.139.596
16.3	Profit reserves		17.697.018	-	17.697.018
16.3.1	Legal reserves		869.410	-	869.410
16.3.2	Status reserves		-	-	-
16.3.3	Extraordinary reserves		15.675.023	-	15.675.023
16.3.4	Other profit reserves		1.152.585	-	1.152.585
16.4	Income or (loss)		5.254.035	-	5.254.035
16.4.1	Prior years' income or (loss)		1.639.954	-	1.639.954
16.4.2	Current year income or (loss)		3.614.081	-	3.614.081
16.5	Minority interest		541	-	541
	Total liabilities and shareholders' equity		**148.948.316**	**171.117.802**	**320.066.118**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

2. Consolidated off-balance sheet commitments

				Current Period (30/06/2018)			**Prior Period (31/12/2017)**	
		Note (Section Five)	**TL**	**FC**	**Total**	**TL**	**FC**	**Total**
A.	**Off-balance sheet commitments (I+II+III)**		**253.067.023**	**434.048.480**	**687.115.503**	**296.244.062**	**392.441.545**	**688.685.607**
I.	**Guarantees and warranties**	**3.1.2,3**	**27.460.192**	**64.791.063**	**92.251.255**	**26.495.214**	**52.356.201**	**78.851.415**
1.1	Letters of guarantee	3.1.2.2	27.380.228	40.574.272	67.954.500	26.441.208	33.858.543	60.299.751
1.1.1	Guarantees subject to state tender law		599.374	1.466.032	2.065.406	791.090	1.168.552	1.959.642
1.1.2	Guarantees given for foreign trade operations		3.816.175	38.990.597	42.806.772	3.381.312	32.588.518	35.969.830
1.1.3	Other letters of guarantee		22.964.679	117.643	23.082.322	22.268.806	101.473	22.370.279
1.2	Bank acceptances		-	223.192	223.192	-	212.685	212.685
1.2.1	Import letter of acceptance		-	223.192	223.192	-	212.685	212.685
1.2.2	Other bank acceptances		-	-	-	-	-	-
1.3	Letters of credit		61.638	16.398.187	16.459.825	20.000	11.507.886	11.527.886
1.3.1	Documentary letters of credit		61.638	16.397.465	16.459.103	20.000	11.507.373	11.527.373
1.3.2	Other letters of credit		-	722	722	-	513	513
1.4	Prefinancing given as guarantee		-	-	-	-	-	-
1.5	Endorsements		-	-	-	-	-	-
1.5.1	Endorsements to the Central Bank of the Republic of Turkey		-	-	-	-	-	-
1.5.2	Other endorsements		-	-	-	-	-	-
1.6	Securities issue purchase guarantees		-	-	-	-	-	-
1.7	Factoring guarantees		-	-	-	-	-	-
1.8	Other guarantees		18.326	3.246.101	3.264.427	34.006	2.421.805	2.455.811
1.9	Other warranties		-	4.349.311	4.349.311	-	4.355.282	4.355.282
II.	**Commitments**	**3.1.1**	**64.911.279**	**85.865.560**	**150.776.839**	**93.480.873**	**92.506.787**	**185.987.660**
2.1	Irrevocable commitments		63.244.683	39.525.400	102.770.083	92.020.358	42.021.703	134.042.061
2.1.1	Asset purchase and sale commitments		6.993.348	35.668.187	42.661.535	36.662.381	40.236.824	76.899.205
2.1.2	Deposit purchase and sales commitments		21.793	908.847	930.640	29.564	762.402	791.966
2.1.3	Share capital commitments to associates and subsidiaries		-	-	-	-	-	-
2.1.4	Loan granting commitments		10.195.204	2.681.703	12.876.907	9.349.555	775.480	10.125.035
2.1.5	Securities issue brokerage commitments		-	-	-	-	-	-
2.1.6	Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7	Commitments for cheques		3.365.156	-	3.365.156	6.844.741	-	6.844.741
2.1.8	Tax and fund liabilities from export commitments		8.347	-	8.347	7.297	-	7.297
2.1.9	Commitments for credit card limits		36.167.354	-	36.167.354	33.700.364	-	33.700.364
2.1.10	Commitments for credit cards and banking services promotions		23.661	-	23.661	18.322	-	18.322
2.1.11	Receivables from short sale commitments of marketable securities		-	-	-	-	-	-
2.1.12	Payables for short sale commitments of marketable securities		-	-	-	-	-	-
2.1.13	Other irrevocable commitments		6.469.820	266.663	6.736.483	5.408.134	246.997	5.655.131
2.2	Revocable commitments		1.666.596	46.340.160	48.006.756	1.460.515	50.485.084	51.945.599
2.2.1	Revocable loan granting commitments		1.666.596	46.260.423	47.927.019	1.460.515	50.417.185	51.877.700
2.2.2	Other revocable commitments		-	79.737	79.737	-	67.899	67.899
III.	**Derivative financial instruments**		**160.695.552**	**283.391.857**	**444.087.409**	**176.267.975**	**247.578.557**	**423.846.532**
3.1	Derivative financial instruments for hedging purposes		48.762.248	43.530.574	92.292.822	42.981.037	30.901.265	73.882.302
3.1.1	Transactions for fair value hedge		332.598	3.392.732	3.725.330	491.387	2.804.166	3.295.553
3.1.2	Transactions for cash flow hedge		48.429.650	40.137.842	88.567.492	42.489.650	28.097.099	70.586.749
3.1.3	Transactions for foreign net investment hedge		-	-	-	-	-	-
3.2	Trading transactions		111.933.304	239.861.283	351.794.587	133.286.938	216.677.292	349.964.230
3.2.1	Forward foreign currency buy/sell transactions		13.987.928	20.495.821	34.483.749	11.622.183	15.192.560	26.814.743
3.2.1.1	Forward foreign currency transactions-buy		2.520.673	14.702.122	17.222.795	4.545.311	8.808.854	13.354.165
3.2.1.2	Forward foreign currency transactions-sell		11.467.255	5.793.699	17.260.954	7.076.872	6.383.706	13.460.578
3.2.2	Swap transactions related to foreign currency and interest rates		86.713.309	173.474.274	260.187.583	105.854.508	169.948.833	275.803.341
3.2.2.1	Foreign currency swap-buy		30.327.618	61.982.521	92.310.139	21.536.219	88.609.675	110.145.894
3.2.2.2	Foreign currency swap-sell		49.375.691	43.817.009	93.192.700	79.188.289	32.339.368	111.527.657
3.2.2.3	Interest rate swap-buy		3.505.000	33.837.372	37.342.372	2.565.000	24.499.895	27.064.895
3.2.2.4	Interest rate swap-sell		3.505.000	33.837.372	37.342.372	2.565.000	24.499.895	27.064.895
3.2.3	Foreign currency, interest rate and securities options		10.308.632	22.191.560	32.500.192	9.678.309	16.400.673	26.078.982
3.2.3.1	Foreign currency options-buy		4.145.853	10.295.311	14.441.164	3.910.315	7.906.039	11.816.354
3.2.3.2	Foreign currency options-sell		5.962.779	8.602.738	14.565.517	5.467.994	6.672.990	12.140.984
3.2.3.3	Interest rate options-buy		100.000	2.083.656	2.183.656	-	1.058.039	1.058.039
3.2.3.4	Interest rate options-sell		100.000	1.209.855	1.309.855	300.000	763.605	1.063.605
3.2.3.5	Securities options-buy		-	-	-	-	-	-
3.2.3.6	Securities options-sell		-	-	-	-	-	-
3.2.4	Foreign currency futures		103.401	95.683	199.084	-	-	-
3.2.4.1	Foreign currency futures-buy		38.341	59.152	97.493	-	-	-
3.2.4.2	Foreign currency futures-sell		65.060	36.531	101.591	-	-	-
3.2.5	Interest rate futures		-	-	-	-	-	-
3.2.5.1	Interest rate futures-buy		-	-	-	-	-	-
3.2.5.2	Interest rate futures-sell		-	-	-	-	-	-
3.2.6	Other		820.034	23.603.945	24.423.979	6.131.938	15.135.226	21.267.164
B.	**Custody and pledges received (IV+V+VI)**		**2.742.929.308**	**574.690.298**	**3.317.619.606**	**644.580.477**	**284.931.511**	**929.511.988**
IV.	**Items held in custody**		**418.381.031**	**461.042.083**	**879.423.114**	**359.521.535**	**192.501.757**	**552.023.292**
4.1	Customer fund and portfolio balances		-	-	-	-	-	-
4.2	Investment securities held in custody		392.969.839	460.234.865	853.204.704	337.338.561	191.854.708	529.193.269
4.3	Checks received for collection		19.295.103	67.591	19.362.694	17.339.675	93.109	17.432.784
4.4	Commercial notes received for collection		6.057.945	668.886	6.726.831	4.785.155	494.096	5.279.251
4.5	Other assets received for collection		-	56.488	56.488	-	47.846	47.846
4.6	Assets received for public offering		-	-	-	-	-	-
4.7	Other items under custody		58.144	14.253	72.397	58.144	11.998	70.142
4.8	Custodians		-	-	-	-	-	-
V.	**Pledges received**		**2.306.035.223**	**105.272.499**	**2.411.307.722**	**271.152.739**	**91.536.890**	**362.689.629**
5.1	Marketable securities		206.736	506	207.242	193.385	418	193.803
5.2	Guarantee notes		1.199.775	312.237	1.512.012	930.316	272.363	1.202.679
5.3	Commodity		22.870	-	22.870	23.010	-	23.010
5.4	Warrants		-	-	-	-	-	-
5.5	Properties		2.162.119.734	77.361.685	2.239.481.419	119.604.456	71.034.836	190.639.292
5.6	Other pledged items		142.486.108	27.589.875	170.075.983	150.401.572	20.222.475	170.624.047
5.7	Pledged items-depository		-	8.196	8.196	-	6.798	6.798
VI.	**Accepted independent guarantees and warranties**		**18.513.054**	**8.375.716**	**26.888.770**	**13.906.203**	**892.864**	**14.799.067**
	Total off-balance sheet commitments (A+B)		**2.995.996.331**	**1.008.738.778**	**4.004.735.109**	**940.824.539**	**677.373.056**	**1.618.197.595**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

3. Consolidated income statement

	Income and expense items	Note (Section Five)	Current Period (01/01/2018-30/06/2018)	Current Period (01/04/2018-30/06/2018)
I.	**INTEREST INCOME**	**4.1**	**14.355.032**	**7.595.410**
1.1	Interest on loans	4.1.1	11.262.477	5.974.258
1.2	Interest received from reserve deposits		176.978	94.208
1.3	Interest received from banks	4.1.2	342.610	184.150
1.4	Interest received from money market transactions		22.581	14.833
1.5	Interest received from marketable securities portfolio	4.1.3	1.934.795	1.003.970
1.5.1	Financial assets at fair value through profit or los		7.206	472
1.5.2	Financial assets at fair value through other comprehensive income		1.311.087	664.283
1.5.3	Financial assets measured at amortised cost		616.502	339.215
1.6	Finance lease income		425.593	224.670
1.7	Other interest income		189.998	99.321
II.	**INTEREST EXPENSES**	**4.2**	**8.301.404**	**4.386.713**
2.1	Interest on deposits	4.2.4	5.479.319	2.879.237
2.2	Interest on funds borrowed	4.2.1	1.045.983	221.694
2.3	Interest expense on money market transactions		671.359	334.587
2.4	Interest on securities issued	4.2.3	908.359	857.186
2.5	Other interest expenses		196.384	94.009
III.	**NET INTEREST INCOME/EXPENSE (I - II)**		**6.053.628**	**3.208.697**
IV.	**NET FEES AND COMMISSIONS INCOME/EXPENSES**		**2.085.049**	**1.051.381**
4.1	Fees and commissions received		2.625.437	1.350.362
4.1.1	Non-cash loans		343.875	173.780
4.1.2	Other		2.281.562	1.176.582
4.2	Fees and commissions paid		540.388	298.981
4.2.1	Non-cash loans		13.242	6.728
4.2.2	Other		527.146	292.253
V.	**PERSONNEL EXPENSES (-)**	**4.7**	**1.380.612**	**717.377**
VI	**DIVIDEND INCOME**		**12.034**	**8.013**
VII.	**TRADING PROFIT/LOSS (Net)**	**4.3**	**(447.091)**	**(156.074)**
7.1	Profit/losses from capital market transactions		356.280	314.269
7.2	Profit/losses from derivative financial transactions	4.5	3.388.437	2.878.680
7.3	Foreign exchange profit/losses		(4.191.808)	(3.349.023)
VIII.	**OTHER OPERATING INCOME**		**804.172**	**370.090**
IX.	**GROSS PROFIT FROM OPERATING ACTIVITIES (III+IV+V+VI+VII+VIII)**		**7.127.180**	**3.764.730**
X.	**ALLOWANCES FOR EXPECTED CREDIT LOSSES (-)**	**4.4**	**2.384.812**	**1.393.598**
XI.	**OTHER OPERATING EXPENSES (-)**	**4.7**	**1.622.876**	**836.496**
XII.	**NET OPERATING PROFIT/LOSS (IX-X-XI**		**3.119.492**	**1.534.636**
XIII.	**SURPLUS WRITTEN AS GAIN AFTER MERGER**		**-**	**-**
XIV.	**PROFIT/LOSS FROM EQUITY METHOD APPLIED SUBSIDIARIES**		**53.015**	**24.849**
XV.	**NET MONETORY POSITION GAIN/LOSS)**		**-**	**-**
XVI.	**PROFIT/LOSS BEFORE TAXES FROM CONTINUING OPERATIONS (XII+...+XV)**	**4.8**	**3.172.507**	**1.559.485**
XVII.	**PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)**	**4.9**	**701.216**	**332.277**
17.1	Current tax provision		240.853	154.826
17.2	Expense effect of deferred tax (+)		460.363	177.451
17.3	Income effect of deferred tax (-)		-	-
XVIII.	**NET PROFIT/LOSS FROM CONTINUING OPERATIONS (XVI±XVII)**		**2.471.291**	**1.227.208**
XIX.	**INCOME FROM DISCONTINUED OPERATIONS**		-	-
19.1	Income from assets held for sale		-	-
19.2	Profit from sale of associates, subsidiaries and joint ventures		-	-
19.3	Other income from discontinued operations		-	-
XX.	**EXPENSES FROM DISCONTINUED OPERATIONS (-)**		-	-
20.1	Expenses on assets held for sale		-	-
20.2	Losses from sale of associates, subsidiaries and joint ventures		-	-
20.3	Other expenses from discontinued operations		-	-
XXI.	**PROFIT/LOSS BEFORE TAXES FROM DISCONTINUED OPERATIONS (±) (XIX-XX)**		-	-
XXII.	**TAX PROVISION FOR DISCONTINUED OPERATIONS (±)**		-	-
22.1	Current tax provision		-	-
22.2	Expense effect of deferred tax (+)		-	-
22.3	Income effect of deferred tax (-)		-	-
XXIII.	**. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXI±XXII)**		-	-
XXIV.	**NET PROFIT/LOSSES (XVIII+XXIII)**	**4.10**	**2.471.291**	**1.227.208**
24.1	Group`s profit/loss		2.471.232	1.227.184
24.2	Minority shares		59	24
	Profit/Loss per share		0,0057	0,0028

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

3. Consolidated income statement

	Income and expense items	Note (Section Five)	Prior Period (01/01/2017-30/06/2017)	Prior Period (01/04/2017-30/06/2017)
I.	**Interest income**	**4.1**	**10.731.963**	**5.517.253**
1.1	Interest on loans	4.1.1	8.574.530	4.374.590
1.2	Interest received from reserve deposits		98.787	54.764
1.3	Interest received from banks	4.1.2	174.681	132.183
1.4	Interest received from money market transactions		16.912	12.926
1.5	Interest received from marketable securities portfolio	4.1.3	1.442.279	727.913
1.5.1	Trading financial assets		2.114	940
1.5.2	Financial assets at fair value through profit or (loss)		-	-
1.5.3	Available-for-sale financial assets		1.002.317	506.197
1.5.4	Held to maturity investments		437.848	220.776
1.6	Financial lease income		301.212	151.831
1.7	Other interest income		123.562	63.046
II.	**Interest expense**	**4.2**	**(6.159.984)**	**(3.196.451)**
2.1	Interest on deposits	4.2.4	(4.649.736)	(2.454.855)
2.2	Interest on funds borrowed	4.2.1	(662.008)	(332.922)
2.3	Interest expense on money market transactions		(294.330)	(133.569)
2.4	Interest on securities issued	4.2.3	(529.910)	(272.141)
2.5	Other interest expenses		(24.000)	(2.964)
III.	**Net interest income (I + II)**		**4.571.979**	**2.320.802**
IV.	**Net fees and commissions income**		**1.674.994**	**826.475**
4.1	Fees and commissions received		2.093.150	1.050.344
4.1.1	Non-cash loans		291.782	146.081
4.1.2	Other		1.801.368	904.263
4.2	Fees and commissions paid		(418.156)	(223.869)
4.2.1	Non-cash loans		(9.539)	(5.764)
4.2.2	Other		(408.617)	(218.105)
V.	**Dividend income**		**10.278**	**8.347**
VI.	**Trading gain/(loss) (net)**	**4.3**	**(41.287)**	**(107.436)**
6.1	Trading gains/(losses) on securities		36.548	10.557
6.2	Derivative financial transactions gains/(losses)	4.5	(1.629.551)	(996.959)
6.3	Foreign exchange gains/(losses)		1.551.716	878.966
VII.	**Other operating income**	**4.6**	**628.855**	**295.398**
VIII.	**Total operating income / loss (III+IV+V+VI+VII)**		**6.844.819**	**3.343.586**
IX.	**Provision for impairment of loans and other receivables (-)**	**4.4**	**(1.714.435)**	**(819.556)**
X.	**Other operating expenses (-)**	**4.7**	**(2.791.492)**	**(1.421.663)**
XI.	**Net operating income/(loss) (VIII-IX-X)**		**2.338.892**	**1.102.367**
XII.	**Excess amount recorded as income after merger**		**-**	**-**
XIII.	**Income/(loss) from investments accounted based on equity method**		**47.094**	**18.937**
XIV.	**Income/(loss) on net monetary position**		**-**	**-**
XV.	**Profit/(loss) before taxes from continuing operations (XI+XII+XIII+XIV)**		**2.385.986**	**1.121.304**
XVI.	**Tax provision for continuing operations (±)**		**(492.754)**	**(229.378)**
16.1	Current tax provision		(789.053)	(355.999)
16.2	Deferred tax provision		296.299	126.621
XVII.	**Net profit/loss from continuing operations (XV±XVI)**	**4.8**	**1.893.232**	**891.926**
XVIII.	**Income from discontinued operations**	**4.9**	**-**	**-**
18.1	Income from non-current assets held for resale		-	-
18.2	Profit from sales of associates, subsidiaries and joint ventures		-	-
18.3	Other income from discontinued operations		-	-
XIX.	**Expenses from discontinued operations (-)**		**-**	**-**
19.1	Expenses for non-current assets held for resale		-	-
19.2	Loss from sales of associates, subsidiaries and joint ventures		-	-
19.3	Other expenses from discontinued operations		-	-
XX.	**Profit /losses before taxes from discontinued operations (XVIII-XIX)**		**-**	**-**
XXI.	**Tax provision for discontinued operations (±)**		**-**	**-**
21.1	Current tax provision		-	-
21.2	Deferred tax provision		-	-
XXII.	**Net profit/loss from discontinued operations (XX±XXI)**		**-**	**-**
XXIII.	**Net profit/loss (XVII+XXII)**	**4.10**	**1.893.232**	**891.926**
23.1	Group's profit/loss		1.893.198	891.917
23.2	Minority interest profit/losses (-)		34	9
	Earnings/(loss) per share (in TL full)		0,0044	0,0021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

4. Consolidated statement of income and expense items accounted under shareholders' equity

		Current Period (30/06/2018)
I.	**PROFIT (LOSS)**	**2.471.291**
II.	**OTHER COMPREHENSIVE INCOME**	**1.262.052**
2.1	**Other comprehensive income that will not be reclassified to profit or loss**	**460.235**
2.1.1.	Gains (losses) on Revaluation of Property, Plant and Equipment	545.210
2.1.2.	Gains (losses) on revaluation of Intangible Assets	-
2.1.3.	Gains (losses) on remeasurements of defined benefit plans	(32.052)
2.1.4.	Other Components of Other Comprehensive Income That Will Not Be Reclassified to Profit Or Loss	-
2.1.5.	Taxes Relating To Components Of Other Comprehensive Income That Will Not Be Reclassified To Profit Or Loss	(52.923)
2.2.	**Other Comprehensive Income That Will Be Reclassified to Profit or Loss**	**801.817**
2.2.1.	Exchange Differences on Translation	463.490
2.2.2.	Valuation and/or Reclassification Profit or Loss from financial assets at fair value through other comprehensive income	(1.151.015)
2.2.3.	Income (loss) Related with Cash Flow Hedges	1.909.471
2.2.4.	Income (loss) Related with Hedges of Net Investments in Foreign Operations	(324.969)
2.2.5.	Other Components of Other Comprehensive Income that will be Reclassified to Other Profit or Loss	-
2.2.6.	Taxes Relating To Components Of Other Comprehensive Income That Will Be Reclassified To Profit Or Loss	(95.160)
III.	**TOTAL COMPREHENSIVE INCOME (LOSS) (I+II)**	**3.733.343**

	Income and expense items accounted under shareholders' equity	**Prior Period (30/06/2017)**
I.	**Transfers to marketable securities valuation differences from financial assets available for sale**	**579.966**
II.	**Property and equipment revaluation differences**	**(3.322)**
III.	**Intangible assets revaluation differences**	**-**
IV.	**Currency translation differences for foreign currency transactions**	**154.316**
V.	**Profit/loss on cash flow hedges (effective part of the fair value changes)**	**(57.039)**
VI.	**Profit/loss on foreign net investment hedges(effective part of the fair value changes)**	**(114.714)**
VII.	**Effects of changes in accounting policy and adjustment of errors**	**-**
VIII.	**Other income and expense items accounted under shareholders' equity according to TAS**	**1.106**
IX.	**Deferred tax on valuation differences**	**(81.380)**
X.	**Net profit or loss accounted directly under shareholders' equity (I+II+...+IX)**	**478.933**
XI.	**Current year profit/loss**	**1.893.232**
11.1	Net change in fair value of marketable securities (recycled to profit-loss)	36.569
11.2	Part of cash flow hedge derivative financial instruments reclassified and presented on the income statement	56.029
11.3	Part of foreign net investment hedges reclassified and presented on the income statement	-
11.4	Other	1.800.634
XII.	**Total income/loss accounted for the period (X+XI)**	**2.372.165**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

5. Consolidated statement of changes in shareholders' equity

Current Period (30/06/2018)					Other Accumulated Comprehensive Income That Will Not Be Reclassified In Profit and Loss			Other Accumulated Comprehensive Income That Will Be Reclassified In Profit and Loss								
Changes in shareholder's equity	Paid-in capital	Share premium	Share certificate cancellation profits	Other capital reserves	1	2	3	4	5	6	Profit reserves	Prior period net income/(loss)	Current period net income/(loss)	Total equity except minority interest	Minority Interest	Total shareholders' equity
I. Balance at the beginning of the period	**4.347.051**	**543.881**	**-**	**1.329.747**	**1.381.028**	**(184.484)**	**-**	**1.144.663**	**(384.916)**	**117.925**	**16.552.355**	**1.639.954**	**3.614.081**	**30.101.285**	**541**	**30.101.826**
II. Adjustment in accordance with TAS 8	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**110.325**	**-**	**(243.404)**	**-**	**-**	**(133.079)**	**-**	**(133.079)**
2.1 Effect of adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2. Effect of changes in accounting policies	-	-	-	-	-	-	-	-	110.325	-	(243.404)	-	-	(133.079)	-	(133.079)
III. New balance (I+II)	**4.347.051**	**543.881**	**-**	**1.329.747**	**1.381.028**	**(184.484)**	**-**	**1.144.663**	**(274.591)**	**117.925**	**16.308.951**	**1.639.954**	**3.614.081**	**29.968.206**	**541**	**29.968.747**
IV. Total comprehensive income (loss)	**-**	**-**	**-**	**-**	**485.237**	**(25.002)**	**-**	**463.490**	**(897.583)**	**1.235.910**	**-**	**-**	**2.471.232**	**3.733.284**	**59**	**3.733.343**
V. Capital increase in cash	**4.100.000**	**13.056**	**-**	**(9.860)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4.103.196**	**-**	**4.103.196**
VI. Capital increase through internal reserves	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
VII. Issued capital inflation adjustment difference	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
VIII. Convertible bonds	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
IX. Subordinated debt	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
X. Increase (decrease) through other changes, equity	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(6)**	**-**	**-**	**(6)**	**-**	**(6)**
XI. Profit distribution	**-**	**-**	**-**	**127.833**	**-**	**-**	**-**	**-**	**-**	**-**	**3.486.248**	**-**	**(3.614.081)**	**-**	**(42)**	**(42)**
11.1. Dividends distributed	-	-		-	-	-	-	-	-	-	-	-	-	-	(42)	(42)
11.2. Transfers to legal reserves	-	-	-	127.833	-	-	-	-	-	-	3.486.248	-	(3.614.081)	-	-	-
11.3. Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period end balance (III+IV+…..+X+XI)	**8.447.051**	**556.937**	**-**	**1.447.720**	**1.866.265**	**(209.486)**	**-**	**1.608.153**	**(1.172.174)**	**1.353.835**	**19.795.193**	**1.639.954**	**2.471.232**	**37.804.680**	**558**	**37.805.238**

1. Tangible assets revaluation reserve,
2. Accumulated gains / losses on remeasurements of defined benefit plans,
3. Other Comprehensive Income of Associates and Joint Ventures Accounted for Using Equity Method that will not be Reclassified to Profit or Loss and OtherAccumulated Amounts of Other Comprehensive Income that will not be Reclassified to Profit or Loss,
4. Exchange differences on translation reserve,
5. Accumulated gains (losses) due to revaluation and/or reclassification of financial assets measured at fair value through other comprehensive income,
6. Accumulated gains or losses on cash flow hedges and net investment hedges.

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

5. Consolidated statement of changes in shareholders' equity

	Prior Period (30/06/2017)	Note (Section Five)	Paid-in capital	Adjustment to share capital	Share premium	Share cancellation profits	Legal reserves[1]	Status reserves	Extraordinary reserves[1]	Other reserves	Current period net income/ (loss)	Prior period net income/ (loss)[1]	Marketable securities valuation difference	Property and equipment and intangible assets revaluation fund	Bonus shares from investments	Hedging funds	Asset held for resale/ discontinued operations revaluation fund	Total equity except minority interest	Minority Interest	Total shareholders' equity
I.	**Prior period-end balance**		**4.347.051**	**-**	**543.881**	**-**	**844.539**	**-**	**12.913.149**	**1.982.740**	**2.932.795**	**1.639.954**	**(463.754)**	**1.469.697**	**4.561**	**(93.962)**		**26.120.651**	**502**	**26.121.153**
	Changes in the period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II.	**Increase/decrease due to the merger**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	**Marketable securities valuation differences**		-	-	-	-	-	-	-	-	-	-	**463.890**	-	-	-	-	**463.890**	-	**463.890**
IV.	**Hedging transactions funds (effective portion)**		-	-	-	-	-	-	-	-	-	-	-	-	-	**(137.402)**	-	**(137.402)**	-	**(137.402)**
4.1	Cash flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	(45.631)	-	(45.631)	-	(45.631)
4.2	Foreign net investment hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	(91.771)	-	(91.771)	-	(91.771)
V.	**Property and equipment revaluation differences**		-	-	-	-	-	-	-	-	-	-	-	**(2.863)**	-	-	-	**(2.863)**	-	**(2.863)**
VI.	**Intangible assets revaluation differences**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	**Bonus shares from investments in associates, subsidiaries and joint ventures**		-	-	-	-	-	-	-	-	-	-	-	-	**1.106**	-	-	**1.106**	-	**1.106**
VIII.	**Foreign exchange differences**		-	-	-	-	-	-	-	**153.748**	-	-	**310**	**(24)**	-	**168**	-	**154.202**	-	**154.202**
IX.	**Changes due to the disposal of assets**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	**Changes due to the reclassification of assets**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	**Effect of the changes in equity of investment in associates**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	**Capital increase**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1	Cash increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2	Internal resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	**Share premium**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	**Share cancellation profits**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	**Paid in-capital inflation adjustment difference**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	**Other**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.	**Current year income or loss**		-	-	-	-	-	-	-	-	**1.893.198**	-	-	-	-	-	-	**1.893.198**	**34**	**1.893.232**
XVIII.	**Profit distribution**		-	-	-	-	**24.871**	-	**2.761.874**	**146.050**	**(2.932.795)**	-	-	-	-	-	-	-	**(38)**	**(38)**
18.1	Dividend paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(38)	(38)
18.2	Transfers to reserves		-	-	-	-	24.871	-	2.761.874	146.050	(2.932.795)	-	-	-	-	-	-	-	-	-
18.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIX.	**Transactions with minority**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Period end balance (I+II+III+……+XVII+XVIII)		**4.347.051**	**-**	**543.881**	**-**	**869.410**	**-**	**15.675.023**	**2.282.538**	**1.893.198**	**1.639.954**	**446**	**1.466.810**	**5.667**	**(231.196)**	**-**	**28.492.782**	**498**	**28.493.280**

(1) Total legal reserves and extraordinary reserves of the consolidated entities except Parent Bank's legal reserves and extraordinary reserves have been presented under prior period net income/ (loss).

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

6. Consolidated statement of cash flows

		Notes (Section Five)	Current Period (30/06/2018)
A.	**CASH FLOWS FROM BANKING OPERATIONS**		
1.1	**Operating profit before changes in operating assets and liabilities**		**3.115.838**
1.1.1	Interest received		12.875.570
1.1.2	Interest paid		(8.139.070)
1.1.3	Dividend received		12.034
1.1.4	Fees and commissions received		2.625.437
1.1.5	Other income		617.746
1.1.6	Collections from previously written-off loans and other receivables		1.129.361
1.1.7	Cash Payments to personnel and service suppliers		(2.830.637)
1.1.8	Taxes paid		(496.971)
1.1.9	Other		(2.677.632)
1.2	**Changes in operating assets and liabilities subject to banking operations**		**(6.622.661)**
1.2.1	Net (increase) decrease in Financial Assets at Fair Value through Profit or Loss		(183.782)
1.2.2	Net (increase) decrease in due from banks		(3.444.094)
1.2.3	Net (increase) decrease in loans		(22.916.004)
1.2.4	Net (increase) decrease in other assets		(4.987.172)
1.2.5	Net increase (decrease) in bank deposits		3.330.156
1.2.6	Net increase (decrease) in other deposits		16.000.286
1.2.7	Net increase (decrease) in financial liabilities at fair value through profit or loss		1.643.608
1.2.8	Net increase (decrease) in funds borrowed		6.111.714
1.2.9	Net increase (decrease) in matured payables		-
1.2.10	Net increase (decrease) in other liabilities		(2.177.373)
I.	**Net cash provided from banking operations**		**(3.506.823)**
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**		
II.	**Net cash provided from investing activities**		**1.887.043**
2.1	Cash paid for the purchase of associates, subsidiaries and joint ventures		-
2.2	Cash obtained from the sale of associates, subsidiaries and joint ventures		-
2.3	Cash paid for the purchase of tangible and intangible asset		(399.997)
2.4	Cash obtained from the sale of tangible and intangible asset		192.864
2.5	Cash paid for the purchase of financial assets at fair value through other comprehensive income		(6.120.530)
2.6	Cash obtained from the sale of financial assets at fair value through other comprehensive income		6.340.868
2.7	Cash paid for the purchase of financial assets at amortised cost		(2.984.536)
2.8	Cash obtained from sale of financial assets at amortised cost		1.084.288
2.9	Other		-
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**		
III.	**Net cash flows from financing activities**		**9.874.259**
3.1	Cash obtained from funds borrowed and securities issued		6.359.660
3.2	Cash outflow from funds borrowed and securities issued		(588.555)
3.3	Equity instruments issued		4.103.196
3.4	Dividends paid		(42)
3.5	Payments for finance lease liabilities		-
3.6	Other		-
IV.	**Effect of change in foreign exchange rate on cash and cash equivalents**		**2.692.141**
V.	**Net increase/decrease in cash and cash equivalents**		**7.172.534**
VI.	**Cash and cash equivalents at beginning of the period**		**23.844.278**
VII.	**Cash and cash equivalents at end of the period**		**31.016.812**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

6. Consolidated statement of cash flows

		Note (Section Five)	Prior Period (30/06/2017)
A.	**Cash flows from banking operations**		
1.1	**Operating profit before changes in operating assets and liabilities**		4.819.994
1.1.1	Interest received		9.618.736
1.1.2	Interest paid		(6.158.819)
1.1.3	Dividend received		10.278
1.1.4	Fees and commissions received		2.093.150
1.1.5	Other income		876.137
1.1.6	Collections from previously written-off loans and other receivables		710.931
1.1.7	Payments to personnel and service suppliers		(2.510.416)
1.1.8	Taxes paid		(607.952)
1.1.9	Other		787.949
1.2	**Changes in operating assets and liabilities**		(6.749.563)
1.2.1	Net (increase)/decrease in trading securities		(20.570)
1.2.2	Net (increase)/decrease in fair value through profit/loss financial assets		-
1.2.3	Net (increase)/decrease in banks		(1.521.885)
1.2.4	Net (increase)/decrease in loans		(13.550.143)
1.2.5	Net (increase)/decrease in other assets		(549.109)
1.2.6	Net increase /(decrease) in bank deposits		(1.396.274)
1.2.7	Net increase /(decrease) in other deposits		8.557.135
1.2.8	Net increase /(decrease) in funds borrowed		(522.560)
1.2.9	Net increase /(decrease) in payables		-
1.2.10	Net increase /(decrease) in other liabilities		2.253.843
I.	**Net cash flows from banking operations**		**(1.929.569)**
B.	**Cash flows from investing activities**		
II.	**Net cash flows from investing activities**		**(1.454.519)**
2.1	Cash paid for acquisition of investments in associates subsidiaries and joint ventures		-
2.2	Cash obtained from disposal of investments in associates subsidiaries and joint ventures		-
2.3	Purchases of property and equipment		(179.436)
2.4	Disposals of property and equipment		29.749
2.5	Purchase of investments available-for-sale		(5.268.203)
2.6	Sale of investments available-for -sale		4.020.896
2.7	Purchase of investment securities		(209.429)
2.8	Sale of investment securities		151.904
2.9	Other		-
C.	**Cash flows from financing activities**		
III.	**Net cash flows from financing activities**		**4.816.544**
3.1	Cash obtained from funds borrowed and securities issued		14.254.134
3.2	Cash used for repayment of funds borrowed and securities issued		(9.437.552)
3.3	Issued capital instruments		-
3.4	Dividends paid		(38)
3.5	Payments for finance leases		-
3.6	Other		-
IV.	**Effect of change in foreign exchange rates on cash and cash equivalents**		**425.701**
V.	**Net increase / (decrease) in cash and cash equivalents (I+II+III+IV)**		**1.858.157**
VI.	**Cash and cash equivalents at beginning of the period**		**15.959.013**
VII.	**Cash and cash equivalents at end of the period**		**17.817.170**

Section Three - Accounting policies

1. Explanations on basis of presentation:

The Parent Bank maintains its books of accounts in Turkish Lira in accordance with the Banking Act No. 5411 ("Banking Act"), which is effective from November 1, 2005, the Turkish Commercial Code ("TCC") and Turkish Tax Legislation.

The consolidated financial statements are prepared in accordance with the "Regulation on the Principles and Procedures Regarding Banks' Accounting Applications and Safeguarding of Documents" published in the Official Gazette No. 26333 dated November 1, 2006 by the Banking Regulation and Supervision Agency ("BRSA") which refers to "Turkish Accounting Standards" ("TAS") and "Turkish Financial Reporting Standards ("TFRS") issued by the Public Oversight Accounting and Auditing Standards Authority ("POA") and other decrees, notes and explanations related to the accounting and financial reporting principles (all "Turkish Accounting Standards" or "TAS") published by the BRSA. The format and the details of the publicly announced financial statements and related disclosures to these statements have been prepared in accordance with the "Communiqué Related to Publicly Announced Financial Statements of Banks and Explanations and Notes Related to these Financial Statements" and changes and notes to this communiqué published in the Official Gazette No. 28337 dated June 28, 2012.

The accompanying consolidated financial statements and notes to these financial statements are expressed in thousands of Turkish Lira (TL), unless otherwise stated.

The financial statements of subsidiaries operating abroad have been prepared in accordance with legislations and regulations of the country in which they are operating, however in order to provide fair presentation according to TAS, necessary adjustments and reclassifications are reflected to those financial statements.

The accompanying consolidated financial statements are prepared in accordance with the historical cost basis (restated for the changes in the general purchasing power of TL until December 31, 2004), except for financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investments in associates and subsidiaries measured at fair value, derivative financial assets/liabilities and art objects and paintings in tangible assets. Besides, the carrying values of assets carried at amortized cost but subject to fair value hedge are adjusted to reflect the fair value changes related to the hedged risks.

The preparation of consolidated financial statements in conformity with TAS requires the use of certain accounting estimates by the Group management to exercise its judgment on the assets and liabilities on the balance sheet and contingent assets and liabilities as of the balance sheet date. These estimates are being reviewed regularly and, when necessary, suitable corrections are made and the effects of these corrections are explained in the related notes and reflected to the income statement.

The preparation and fair presentation of the financial statement and used principles of valuation in accordance with "Accounting and Reporting Legislation" published in the regulation, communique, interpretations and circular published by BRSA and If no specific regulation has been made by BRSA, it has been determined and applied according to the principles of TAS. The accounting principles except TFRS 9 impact, are in accordance with, the used principles in preparation of yearly financial statement as of December 31, 2017.

The Group has adopted "TFRS 9: Financial Instruments" to replace "TAS 39 Financial Instruments: Recognition and measurement" as of 1 January 2018, as issued by issued by Public Oversight Accounting and Auditing Standards Authority published in the Official Gazette No. 29953 dated January 19, 2017, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. The Group did not early adopt TFRS 9 in previous periods.

As permitted by the transitional provisions of TFRS 9, the Group elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the "Profit reserves" and "Other comprehensive income reserves" of the current period. The Group has also elected to continue to apply the hedge accounting requirements of TAS 39.

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

The adoption of TFRS 9 has resulted in changes in our accounting policies for recognition, classification and measurement of financial assets and financial liabilities and also impairment of financial assets.
The following table reconciles the changes for impairment of financial assets between previous measurement category in accordance with TAS 39 as of December 31, 2017 to new measurement categories upon transition to TFRS 9 as of January 1, 2018:

According to related regulations of BRSA		Provision Difference	According to TFRS 9	
Measurement category	**Allowances**	**Remeasurement**	**Measurement category**	**Expected credit loss provisions**
Financial assets	**27.253**	**83.811**	**Financial assets**	**111.064**
Cash and balances with Central Bank	-	77.943	Cash and balances with Central Bank	77.943
Banks	27.253	5.446	Banks	32.699
Money markets	-	422	Money markets	422
Financial assets available-for-sale	**18.326**	**4.317**	**Financial assets at fair value through other comprehensive income**	**22.643**
Held-to-maturity investments	**-**	**10.481**	**Financial assets measured at amortised cost**	**10.481**
Loans and receivables	**9.929.179**	**440.281**	**Loans**	**10.369.460**
Lease receivables	**268.765**	**153.181**	**Lease receivables**	**421.946**
Factoring receivables	**112.673**	**20.155**	**Factoring receivables**	**132.828**
Other assets	**186.856**	**(175.882)**	**Other assets**	**10.974**
Off-balance sheet commitments	**357.019**	**762.240**	**Off-balance sheet commitments**	**1.119.259**
Total	**10.900.071**	**1.298.584**	**Total**	**12.198.655**

The effect of application of TFRS 9 to impairment of financial assets is, before tax, the negative TL 1.298.584. The Group calculated deferred tax related to Stage 1 and Stage 2 expected credit losses, and recognized under shareholder's equity with initial application of TFRS 9. Calculated tax impact is TL 1.033.794 income, and as a result net-off tax TL 264.790 expense is recognized under "Profit Reserves" opening balance related to impairment of financial assets.

Application of TFRS 9 resulted also in changes to measurement and classification of some financial assets.

Visa Inc. shares and credit linked notes classified as "Available for sale financial assets" per prior application, have been classified as "Financial assets measured at fair value through profit or loss" per TFRS 9 transition applied in the current period. In relation to this change TL 23.456 income and TL 2.070 expense has been transferred from "Marketable securities valuation differences" to "Profit reserves".

Some equity instruments as "Available-for-sale financial assets" in the prior period are also classified as "Financial assets measured at fair value through other comprehensive income" irrevocably except Visa Inc. classified. The fair value changes of related instruments will not be reclassified to profit or loss when they are sold.

As of January 1, 2018, the Group has no financial instrument that fails the solely payments of principal and interest test except credit linked notes.

In addition, with the adoption of TFRS 9, some public debt securities with an amount of TL 1.998.350 under "financial assets at fair value through other comprehensive income" portfolio are classified as "financial assets measured at amortised cost" due to change in the business model. In relation to this change marketable securities valuation expense amouting to TL 131.711 has been reversed from "Marketable securities valuation differences". There is no other changes in the measurement principal apart from related classification.

Per BRSA communique numbered 24049440-045.01[3/8]-E.5380 dated April 17, 2018, titled "Financial Reporting", prior period figures are represented in prior format and without application of TFRS 9 regulations.

TFRS 15 Revenue from Contracts with Customers Standard (TFRS 15) has no significant impact on the Bank's accounting policies, financial position and performance.

In addition, the Group continues to work towards harmonization with the TFRS 16 Leases (TFRS 16) standard, which will become effective as of January 1, 2019.

Additional paragraph for convenience translation into English:

The differences between accounting principles, as described in the preceding paragraphs and accounting principles generally accepted in countries in which the accompanying consolidated financial statements are to be distributed and Turkish Financial Reporting Standards ("TFRS") have not been quantified in the accompanying consolidated financial statements. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and TFRS.

2. Explanations on strategy of using financial instruments and foreign currency transactions:

The general strategy of the Group in using financial instruments is to sustain an optimal balance between the yield of the instruments and their risks. The most important funding source of the Group is deposits. The Group can also sustain a lengthened liability structure by using long-term foreign currency borrowings from foreign financial institutions. Funds obtained from deposits and other sources are invested in quality financial assets in order to keep currency, interest rate and liquidity risks within the limits determined by the asset-liability strategy. The currency, interest and liquidity risks of on-balance sheet and off-balance sheet assets and liabilities are managed accordingly within the risk limits accepted by the Group and the related legal limits. Derivative instruments are mainly utilised for liquidity needs and for mitigating currency and interest rate risks. The position of the Group as a result of foreign currency activities is being held at minimum levels and the currency risk exposure is followed within the determined levels by the Board of Directors by considering the limits specified by the Banking Act.

Foreign currency denominated monetary assets and liabilities are translated with the Parent Bank exchange rates prevailing at the balance sheet date. Gains and losses arising from such valuations are recognised in the income statement under the account of "Foreign exchange gains or losses", except for valuation differences arising from foreign currency participations, subsidiaries and foreign currency non-performing loans.

The Group hedges part of the currency translation risk of net investments in foreign operations through currency borrowings. The effective portion of the foreign exchange difference of these financial liabilities is recognised in "Other accumulated comprehensive income that will be reclassified in profit or loss " in equity.

The Group, classifies its financial liabilities as the financial liabilities classified at fair value through profit/loss in order to eliminate the accounting mismatch at the initial recognition.

3. Information on consolidation principles:

3.1. Consolidation principles applied:

The consolidated financial statements have been prepared in accordance with the procedures listed in the "Communiqué related to the Regulation on the Preparation of the Consolidated Financial Statements of Banks" published in the Official Gazette No. 26340 dated November 8, 2006 and "TFRS 10-Consolidated Financial Statements"

3.1.1. Consolidation principles of subsidiaries:

Subsidiaries are the entities controlled directly or indirectly by the Parent Bank.

Control is defined as the power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the Parent Bank's returns.

Subsidiaries are consolidated with full consolidation method by considering the results of their activities and the size of their assets and shareholders' equity. Financial statements of the related subsidiaries are included in the consolidated financial statements from the date control is transferred to the Group and they are taken out of consolidation scope when control no longer exists. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

In accordance with the full consolidation method, balance sheet, income statement and off balance sheet items of the subsidiaries have been consolidated line by line with the balance sheet, income statement and off balance sheet of the Parent Bank. The book value of the investments of the Group in each subsidiary has been netted off with the portion of each subsidiary's capital that belongs to the Group. Unrealized gains and losses and balances resulting from the transactions among the entities included in consolidation have been eliminated. In the consolidated balance sheet and income statement, minority interest has been presented separately from the shares of the Group shareholders.

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

The subsidiaries included in consolidation, their title, their place of incorporation, their main activities and their effective shareholding rates are as follows:

Title	Incorporation (City/ Country)	Main activities	Effective rates (%) June 30, 2018	Direct and indirect rates (%) June 30, 2018
Yapı Kredi Leasing	Istanbul/Turkey	Leasing	99,99	99,99
Yapı Kredi Faktoring	Istanbul/Turkey	Factoring	99,96	99,96
Yapı Kredi Menkul	Istanbul/Turkey	Investment Management	99,98	99,98
Yapı Kredi Portföy	Istanbul/Turkey	Portfolio Management	99,95	99,97
Yapı Kredi Holding B.V.	Amsterdam/Netherlands	Financial Holding	100,00	100,00
Yapı Kredi Bank N.V.	Amsterdam/Netherlands	Banking	100,00	100,00
Yapı Kredi Azerbaijan	Baku /Azerbaijan	Banking	100,00	100,00
Stiching Custody Services YKB	Amsterdam/Netherlands	Custody services	100,00	100,00
Yapı Kredi Malta	St.Julian/Malta	Banking	100,00	100,00
Yapı Kredi Diversified Payment Rights Finance Company (1)	George Town/ Cayman Islands	Special Purpose Company	-	-

(1) It is a special purpose entity established for securitization transactions and is included in the consolidation although it is not a subsidiary of the Parent Bank.

3.1.2. Consolidation principles of associates:

The associates are entities in which the Parent Bank participates in their capital and has significant influence on them, although the Parent Bank has no capital or management control, is established in domestic and abroad. The related associates are consolidated with equity method.

Significant influence refers to the participation power on the constitution of the financial and management policies of the participated associate.

Equity method is an accounting method which foresees the increase or decrease of the book value of capital share in an associate from the changes in the participated associate's shareholders' equity during the period attributable to the portion of the investor and the deduction of the dividend received from the associate from the revised value of the associate amount.

The associates included in consolidation, their title, their place of incorporation, their main activities and their effective shareholding rates are as follows:

Title	(City/ Country)	Main activities	Effective rates % June 30, 2018	Direct and indirect rates % June 30, 2018
Banque de Commerce et de Placements S.A.	Geneva/Switzerland	Banking	30,67	30,67
Allianz Yaşam ve Emeklilik A.Ş.	İstanbul/Turkey	Insurance	20,00	20,00

3.1.3. Consolidation principles of joint ventures:

The joint venture is an entity in which the Parent Bank participates in its capital and has joint control and whose main operation is real estate investment trust ("REIT") and operates according to special legislation with permission and license and is established in Turkey. The related joint venture is consolidated with equity method in accordance with materiality principle.

Equity method is an accounting method which foresees the increase or decrease of the book value of capital share in a joint venture from the changes in the participated joint venture's shareholders' equity during the period attributable to the portion of the investor and the deduction of the dividend received from the associate from the revised value of the associate amount.

The joint venture included in consolidation, its title, its place of incorporation, main activities and effective shareholding rates are as follows:

Title	(City/ Country)	Main activities	Effective rates % June 30, 2018	Direct and indirect rates % June 30, 2018
Yapı Kredi Koray Gayrimenkul Yatırım Ortaklığı A.Ş.	İstanbul/Turkey	REIT	30,45	30,45

3.1.4. Transactions with minority shareholders:

The Group applies a policy of treating transactions with minority interests as transactions within the Group. The difference between the acquisition cost and net asset acquired is recognised under equity. Disposals from minority interests are also considered as equity transactions and result in changes in the equity of the Group.

3.1.5. Presentation of unconsolidated subsidiaries, associates and joint ventures in consolidated financial statements:

Turkish Lira denominated investments in unconsolidated associates, subsidiaries and joint ventures are accounted at cost value, less any impairment, in accordance with "TAS 27 - Individual Financial Statements" in the consolidated financial statements.

Foreign currency denominated investments in unconsolidated associates, subsidiaries and joint ventures are accounted at their original foreign currency costs translated into Turkish Lira using the exchange rates prevailing at the transaction date less impairment, if any.

When the cost of associates, subsidiaries and joint ventures is higher than the net realizable value, the carrying amount is reduced to the net realizable or fair value considering whether the value decrease is temporary or permanent and the ratio of the value decrease.

4. Explanations on forward and options contracts and derivative instruments:

The Group's derivative transactions mostly include foreign currency money and interest rate swaps, forward foreign exchange purchase and sale transactions and options.

Derivative instruments are measured at fair value on initial recognition and subsequently re-measured at their fair values. As a result, the fair value of derivatives is reflected as net liability or net asset on a contract by contract basis. The accounting method of the income or loss arising from derivative instruments depends on whether the derivative is being used for hedging purposes or not and depends on the type of item being hedged.

At the transaction date, the Group documents the relationship between hedging instruments and hedged items, together with the risk management policies and the strategies on hedging transactions. Besides, the Group regularly documents the effectiveness of the hedging instruments in offsetting the changes in the fair value of the hedged items.

Changes in the fair value of derivative instruments subject to fair value hedges are recognized under profit or loss accounts together with the variation in the fair value of hedged items. The changes of fair value of derivative transactions for fair value hedge are classified in "Derivative Financial Transactions Gains/Losses" account. In the balance sheet, changes in the fair value of hedged assets and liabilities, during the period in which the hedge is effective, are shown with the related assets and liabilities. The ineffective portion of the mentioned hedging transactions is reflected to the income statement. If the underlying hedge does not conform to the hedge accounting requirements, according to the adjustments made to the carrying value (amortized cost) of the hedged item, for which the risk is hedged by a portfolio hedge, are amortized with the straight line method within the time to maturity and recognized under the profit and loss accounts. Fair value adjustments are recognized directly in the income statement in an event of repayment and/or unwinding and/or the recognition of the hedged item.

The Parent Bank hedges its cash flow risk arising from foreign currency and Turkish Lira floating interest rate liabilities by using interest rate swaps. The effective portion of the fair value changes of the hedging instruments are recorded in in "Other accumulated comprehensive income that will be reclassified in profit or loss" under shareholders' equity. These funds are transferred to profit or loss from equity when the cash flows of the hedged items (interest expense) impact the income statement.

In case the cash flow hedge accounting is discontinued due to the expiry, realization for sale of the hedging instrument, or due to the results of the effectiveness test the amounts accounted under shareholders' equity are transferred to the profit and loss accounts as these cash flows of the hedged item are realized (considering the original maturity of the hedging instrument).

Some of the trading purpose derivative transactions, even though they provide effective economic hedges under the Group's risk management policy, do not qualify for hedge accounting under the specific rules in "TFRS 9-Financial Instruments" and are therefore treated as "Derivative financial assets at fair value through profit or loss".

"Derivative financial assets at fair value through profit or loss" are measured at fair value. If the fair value of derivative financial instruments is positive, it is disclosed under the main account "Derivative financial assets at fair value through profit or loss" and if the fair value difference is negative, it is disclosed under "Derivative financial liabilities at fair value through profit or loss". Fair value changes are recorded under "Derivative Financial Transactions Gains/ (Losses)" in the income statement.

The fair values of the derivative financial instruments are calculated using quoted market prices or by using discounted cash flow models.

Parameters used for the valuation of the option portfolio of the Parent Bank are determined by market risk management and the confirmation of the accuracy of fair value calculations are monitored periodically by market risk management.

Liabilities and receivables arising from the derivative instruments are followed in the off-balance sheet accounts as their contractual values. Embedded derivatives are separated from the host contract and accounted as derivative instruments according to "TFRS – 9 Financial Instruments"; in case, (i) the related embedded derivative's economic features and risks are not closely related to the host contract, (ii) another instrument that has the same contract conditions with the embedded derivative satisfies the definition of a derivative instrument and (iii) the hybrid instrument is not carried at fair value through profit or loss.

Credit derivatives are capital market tools designed to transfer credit risk from one party to another.

As of June 30, 2018, the Parent Bank's credit derivatives portfolio included total return swaps.

Credit linked notes are bonds that have repayments depending on a credit event or the credit risk evaluation of a reference asset or asset pool. Depending on whether the reference assets are included in the balance sheet of the issuer or the owner of the assets, these transactions can be accounted by the party assuming the credit risk as insurance or as an embedded derivative. As per the Bank's management evaluation, the embedded derivatives included in the credit linked notes are separated from the host contracts in accordance with "TFRS 9 - Financial Instruments" and recorded and evaluated as credit default swaps. The bond itself (host contract) is valued in accordance with the valuation principles of the category it is classified.

Total return swaps are contracts, in which the seller commits to pay the contract value for all cash flows of the reference assets of the seller and the changes of the market values of these reference assets to the buyer during the contract maturity and bear all the decreases in the market value of the these reference assets. The Bank uses the total return swaps to generate long term funding.

Market risks of these products are monitored using the Parent Bank's internal modeling system for the Value-at-Risk and basis points sensitivity analysis; the liquidity risks are monitored using the short term liquidity report on daily and the long term liquidity report on monthly basis.

According to the regulations of BRSA, those currency exchange transactions realized at value date in the initial phase of currency swaps are recorded and followed as irrevocable commitments in off-balance sheet accounts until the value date.

A Credit Valuation Adjustment (CVA) is applied to the Bank's over-the-counter derivative exposures to take into account the counterparty's risk of default when measuring the fair value of the derivative. CVA is the mark-to-market cost of protection required to hedge credit risk from counterparties in the Bank's over-the-counter derivatives portfolio. The Bank calculates CVA based on collective provisioning methodology calculated in accordance with Turkish Financial Reporting Standards, "TFRS – 9 Financial Instruments", comprising the product of Exposure, Probability of Default (PD) and Loss Given Default (LGD). CVA is calculated based on the exposure of each counterparty.

5. Explanations on interest income and expense:

Interest income and expenses are recognized in the income statement on an accrual basis by using the effective interest method periodically.

Retrospective rediscount calculation and foreign exchange evaluation is performed for non performing loans, and accrued interest and rediscounts as of transfer to non performing loan accounts are accounted under loan accrual/rediscount accounts as per Uniform Chart of Accounts ('UCA'). The Bank ceases accruing interest after non-performing loan classification. In place of that, interest amount representing the time value of future collections is recognized under interest income instead of provision expense.

6. Explanations on fee and commission income and expenses:

Fees and commissions received as a result of the service agreements or arising from negotiating or participating in the negotiation of a transaction on behalf of a third party are recognized either in the period when the transaction is realized or deferred based on the type of the underlying transaction. Other commission income and fees from various banking services are recorded as income at the time of realization.

Except for fees and commissions that are integral part of the effective interest rates of financial instruments measured at amortized costs, the fees and commissions are accounted for in accordance with TFRS 15.

7. Explanations on financial assets:

As of January 1, 2018, the Group has applied TFRS 9 and classifies its financial assets in the following measurement categories:

- Fair value through profit or loss (FVPL)
- Fair value through other comprehensive income (FVOCI)
- Amortised cost.

According to TFRS 9 classification of financial assets is based on two criteria; classification and measurement of financial assets depend on the business model of the financial asset and contractual cash flows representing solely payments of principal and interest of the financial asset. This evaluation incorporates whether there is any clause that may change timing or amount of contractual cash flows of the financial asset.

Classification of financial assets reflects the business model of how the Group manages the assets in order to generate cash flows. Bank's business model may be to collect solely the contractual cash flows from the assets or to collect both the contractual cash flows and cash flows arising from the sale of assets. . If neither of these is applicable, then the financial assets are classified as part of 'other' business model and measured at FVPL. Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in the 'other' business model and measured at FVPL.

7.1. Financial assets at fair value through profit or loss:

Financial assets, which are classified as "Financial assets at fair value through profit or loss", are trading financial assets and are either acquired for generating profit from short-term fluctuations in the price or dealer's margin, or are the financial assets included in a portfolio in which a pattern of short-term profit making exists independent from the acquisition purpose.

Trading financial assets are initially recognized at fair value and are subsequently re-measured at their fair value. However, if fair values cannot be obtained from active market transactions, it is assumed that the fair value cannot be measured reliably and fair values are calculated by alternative models. All gains and losses arising from these valuations are recognized in the income statement. Interest earned while holding financial assets is reported as interest income and dividends received are included separately in dividend income.

The principles regarding the accounting of derivative financial instruments are explained in detail in Note 4 of this section.

7.2. Financial assets measured at amortised cost:

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, are measured at amortised cost.These financial assets are initially recognized at total of acquisition and transaction cost. After their initial recognition they are carried at "Amortized cost" using the "Effective interest method".

7.3. Loans:

Loans are financial assets raised through lending without having the intention to trade in the short term. Loans are non derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted on active market. Loans are recognized initially at cost including transaction costs (which reflect fair values) and subsequently carried at the amortized cost using the "effective interest method". The expenses incurred for the assets received as collateral are not considered as transaction costs and are recognized in the expense accounts.

Retail, commercial and corporate loans included in cash loans are accounted for with their original maturities in accounts which are mentioned in the Uniform Chart of Accounts ('UCA'). Foreign currency indexed loans are initially measured at local currency accounts with the foreign exchange rate prevailing at date of the initial recognition and re-valued with the relevant foreign currency rates prevailing at the date of the financial statements. Increase or decrease in the value of the principal amount of the loan due to changes in foreign exchange rates is accounted in the related income and expense accounts. Repayment amounts are translated with the foreign exchange rates prevailing at the repayment dates and the valuation differences are accounted for in foreign exchange gain/loss accounts.

The Parent Bank provides expected loss provision based on the assessments and estimates of the management, by considering the "Communiqué Related to Principles and Procedures on Determining the Qualifications of Banks' Loans and Other Receivables and the Provision for These Loans and Other Receivables" ("Provisioning Regulation") published in the Official Gazette No. 29750 dated June 22, 2016. In this context, the management estimates are determined, on the basis of the prudence principle and Bank credit risk policies, considering the general structure of the loan portfolio, the financial conditions of the customers, non-financial information and the economic conjuncture.

Provision expenses are deducted from the net income of the year. If there is a subsequent collection from a receivable that was already provisioned in previous years, the recovery amount is classified under "other operating income". Uncollectible receivables are written-off after all the legal procedures are finalized.

7.4. Financial assets at fair value through other comprehensive income:

Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at fair value through other comprehensive income (FVOCI).

Financial assets at fair value through other comprehensive income are subsequently re-measured at fair value. When fair values based on market prices cannot be obtained reliably, the financial assets at fair value through other comprehensive income are carried at fair values determined by using alternative models. Equity instruments which are not quoted on a market and the fair values of which cannot be determined reliably, are carried at cost less any impairment. "Unrealized gains and losses" arising from changes in the fair value of financial assets classified as financial assets at fair value through other comprehensive income are recognized in the shareholders' equity as "Other accumulated comprehensive income that will be reclassified in profit or loss", until the related assets are impaired or disposed. When these financial assets are disposed or impaired, the related fair value differences accumulated in the shareholders' equity are transferred to the income statement. Interest and dividends received from Financial assets at fair value through other comprehensive income are recorded in interest income and dividend income as appropriate.

Interest income on financial assets at fair value through other comprehensive income are calculated by effective interest rate method and are accounted for in interest income account. At the time of sale of an financial assets at fair value through other comprehensive income before the maturity, the difference between the profit, which is the difference between the cost and sales price of the financial assets, and the interest income accrual are accounted under "Profit/losses from capital market transactions".

8. Explanations on impairment of financial assets:

The Parent Bank assesses on a forward-looking basis the expected credit losses ('ECL') associated with its debt instrument assets carried at amortised cost and at fair value through other comprehensive income and with the exposure arising from loan commitments and financial guarantee contracts. The Group recognises a loss allowance for such losses at each reporting date. The measurement of expected credit losses reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money;
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The measurement of the expected credit loss allowance:

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and at fair value through other comprehensive income is an area that requires the use of advanced models and significant assumptions about future economic conditions and credit behaviour.

These financial assets will be divided into three categories depending on the gradual increase in credit risk observed since their initial recognition. Impairment shall be recognized on outstanding amounts in each category, as follows:

Stage 1:

For the financial assets at initial recognition or that do not have a significant increase in credit risk since initial recognition. Impairment for credit risk will be recorded in the amount of 12-month expected credit losses.

Stage 2:

In the event of a significant increase in credit risk since initial recognition, the financial asset will be transferred to this category. Impairment for credit risk will be determined on the basis of the instrument's lifetime expected credit losses.

Stage 3:

Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime ECL are recognized and interest revenue is calculated on the net carrying amount.

9. Explanations on offsetting financial assets:

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when the Group has a legally enforceable right to offset the recognised amounts and there is an intention to collect/pay related financial assets and liabilities on a net basis, or to realise the asset and settle the liability simultaneously.

10. Explanations on sales and repurchase agreements and securities lending transactions:

Securities subject to repurchase agreements (“Repo”) are classified as “Financial assets at fair value through profit or loss”, “Financial assets at fair value through other comprehensive income” and “Financial assets measured at amortised cost” according to the investment purposes of the Group and measured according to the portfolio to which they belong. Funds obtained from repurchase agreements are accounted under “Money market funds” in liabilities and the difference between the sale and repurchase price is accrued over the life of the repurchase agreements using the “Effective interest method”. Interest expense on repo transactions are recorded under “Interest expense on money market transactions” in the income statement.
Funds given against securities purchased under agreements to resell (“reverse repo”) are accounted under “Receivables from money markets” on the balance sheet. The difference between the purchase and determined resell price is accrued over the life of repurchase agreements using the effective interest method.

The Group has no securities lending transactions.

11. Information on assets held for resale and related to discontinued operations and explanations on liabilities related with these assets:

According to the “TFRS-5 Non-current Assets Held for Sale and Discontinued Operations” a tangible asset (or a group of assets to be disposed) classified as “Asset held for resale” is measured at lower of carrying value and fair value less costs to sell. An asset (or a group of assets to be disposed) is regarded as “Asset held for resale” only when the sale is highly probable and the asset (or a group of assets to be disposed) is available for immediate sale in its present condition. For a highly probable sale, there must be a valid plan prepared by the management for the sale of asset including identification of possible buyers and completion of sale process. Furthermore, the asset should be actively in the market at a price consistent with its fair value.

A discontinued operation is a part of the Group’s business classified as sold or held for sale. The operating results of the discontinued operations are disclosed separately in the income statement.

12. Explanations on goodwill and other intangible assets:

12.1. Goodwill:

The excess of the cost of an acquisition over the fair value of the Group’s share of the identifiable assets, liabilities or contingent liabilities of the acquired subsidiary at the date of acquisition of the control is recorded as goodwill and represents a payment made by the acquirer in anticipation of future economic benefits from assets that are not capable of being individually identified and separately recognised. The acquirer also recognises assets that are capable of being individually identified and separately recognised, intangible assets (e.g. credit card brand value, deposit base and customer portfolio) and contingent liabilities at fair value, irrespective of whether the asset had been recognised by the acquiree before the business combination, if it can be distinguished from the goodwill and if the asset’s fair value can be measured reliably.

As explained in Note 2, Section 1, in 2006, all rights, receivables, debts and liabilities of Koçbank were transferred to the Bank pursuant the merger of the two banks. The goodwill resulting from the merger and calculated in line with TFRS 3, was recorded in the unconsolidated financial statements of the Bank.

In line with “TFRS 3- Business Combinations” the goodwill is not subject to amortization but is tested annually or more frequently for impairment losses, if any, in line with “TAS 36 - Impairment on Assets”. For the purposes of impairment testing, goodwill is allocated to each of the Bank's cash-generating units that is expected to benefit from the combination. A cash-generating unit to which goodwill has been allocated is tested for impairment. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the income statement. An impairment loss recognized for goodwill is not reversed in subsequent periods. On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

12.2. Other intangible assets:

Other intangible assets are measured at cost on initial recognition and any directly attributable costs of setting the asset to work for its intended use are included in the initial measurement. Subsequently, intangible assets are carried at historical costs after the deduction of accumulated amortization and the provision for impairment.

The Group evaluates the possibility of existence of impairment of intangible assets at the end of each reporting period. If there is an evidence of impairment, the Group estimates a recoverable amount in accordance with the "TAS 36-Impairment of Assets".The recoverable amount is the higher of net sales price or the value in use. When the book value of another intangible asset exceeds the recoverable amount, the related asset is considered to be impaired. If there is no evidence of impairment, there is no need to estimate the recoverable amount.

Intangibles are amortized over their estimated useful lives using the straight-line method. The useful life of the asset is determined by assessing the expected useful life of the asset, technical, technological and other kinds of obsolescence and all required maintenance expenses necessary to utilise the economic benefit from the asset.

13. Explanations on property and equipment:

Property and equipment is measured at its cost when initially recognized and any directly attributable costs of setting the asset in working order for its intended use are included in the initial measurement in accordance with "TAS 16- Property, Plant and Equipment". Subsequently, properties and equipments, except art objects, paintings and buildings, are carried at cost less accumulated depreciation and provision for impairment.

The Group adopted fair value accounting method for its buildings since March 31, 2015 in tangible assets in accordance with "TAS 16- Property, Plant and Equipment".

The depreciation rate for buildings is 2-4%; for movables and movables acquired under financial leasing depreciation is calculated over estimated useful life by using the straight-line method.

The depreciation charge for items remaining in property and equipment for less than a full accounting period at the balance sheet date is calculated in proportion to the period the item remained in property and equipment.

In accordance with "TAS 36-Impairment of Assets", where the carrying amount of an asset is greater than its estimated "recoverable amount", it is written down to its "recoverable amount" and the provision for impairment is charged to the income statement.

Gains and losses on the disposal of property and equipment are determined by deducting the net book value of the property and equipment from its sales proceeds.

Expenditures for the repair and maintenance of property and equipment are recognised as expense. The capital expenditures made in order to increase the capacity of the tangible asset or to increase its future benefits are capitalised on the cost of the tangible asset. The capital expenditures include the cost components which are used either to increase the useful life or the capacity of the asset or the quality of the product or to decrease the costs.

14. Explanations on leasing transactions:

The Group performs financial and operational leasing in the capacity of the lessee and lessor.

14.1. Accounting of leasing operations according to lessee:

14.1.1 Financial lease

The Group includes the lower of the market value of the fixed asset subject to financial leasing in the beginning of the financial leasing period or present value of the lease payments in property and equipment and records the liabilities arising from financial leasing in liabilities. Financing costs arising due to leasing are spread through the lease period forming a fixed interest rate. In addition, fixed assets that are obtained by the way of financial leasing are subject to depreciation based on their useful lives. If a decrease in the value of fixed assets that are subject to financial leasing is noticed, impairment provision is recognised. The liabilities arising from financial leasing contracts are accounted under "financial lease payables". Expenses arising from interest and exchange rate changes related to financial leasing liabilities are charged to the income statement. Lease payments are deducted from financial leasing payables.

14.1.2 Operational lease

Leases, in which the majority of risk and return of property belongs to lessor, are classified as operational lease. Payments that are made under operational leases are accounted in income statements on a straight line basis during the lease period.

14.2. Accounting of leasing operations according to lessor:

Assets that are subject to financial leasing are reflected as a receivable equal to the net leasing amount in the consolidated financial statements. Interest income is earned to form a fixed periodical interest rate on net investment amount of the related leased asset by the lessor and the portion relating to subsequent periods is followed in the unearned interest income account.

14.2.1 Provision for doubtful lease receivables

The lease receivables provision for the impairment of investments in direct finance leases is established based on a credit review of the receivables portfolio. The Group has set this provision in accordance with the TFRS 9 rules.

Finance lease receivables and accounts receivables that cannot be recovered are written off and charged against the allowance for the impairment of lease and accounts receivables. Such receivables are written off after all the necessary legal proceedings have been completed and the amount of loss is finally determined. Recoveries of amounts previously provided for are treated as a reduction from the provision for the impairment of the lease receivable and are recognized as income.

15. Explanations on provisions and contingent assets and liabilities:

Provisions and contingent liabilities, except for the specific and general provisions recognised for loans and other receivables, are accounted in accordance with "TAS 37- Provisions, Contingent Liabilities and Contingent Assets".

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions for contingent liabilities arisen from past events are recognised in the period of occurrence in accordance with the "Matching principle". A provision is recognised when it is probable that the contingent event will occur and a reliable estimate can be made. When a reliable estimate of the amount of obligation cannot be made, or it is not probable that an outflow of resources will be required to settle the obligation, it is considered that a "contingent" liability exists and it is disclosed in the related notes to the financial statements.

Contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the entity. Contingent assets are not recognized in financial statements since this may result in the recognition of income that may never be realized. Contingent assets are disclosed where an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements of the period in which the change occurs.

16. Explanations on obligations related to employee rights:

16.1. Employee termination benefits

Obligations related to severance pay and vacation rights are accounted for in accordance with "TAS 19- Employee Rights" and are classified under "Reserve for employee rights" account in the balance sheet.

Under the Turkish Labour Law, the Group is required to pay a specific amount to the employees who have retired or whose employment is terminated other than for the reasons specified in the Turkish Labour Law. The reserve for severance pay represents the present value of the estimated total liability for the future probable obligation of the Group determined by using certain actuarial assumptions. Actuarial gains and losses generated after January 1, 2013, are accounted for under equity in accordance with the revised "TAS 19- Employee Rights" standard.

16.2. Pension rights

The Parent Bank's personnel are members of the Yapı ve Kredi Bankası Anonim Şirketi Mensupları Yardım ve Emekli Sandığı Vakfı ("the Fund") which was established in accordance with the 20th temporary article of the Social Security Law No. 506. The technical financial statements of the Fund are audited in accordance with the Article 38 of the Insurance Supervision Law and the "Regulation Regarding the Actuaries" by a registered independent actuary.

Temporary article 23th paragraph 1 of the Banking Act published in the Official Gazette No 25983 dated November 1, 2005 stated that foundations like the Fund are to be transferred to the Social Security Institution ("SSI") within three years beginning from the publication date of the article.

The article of the Law related to the transfer was cancelled (pursuant to the application by the President on November 2, 2005) by the decision of Constitutional Court (decision no: E.2005/39, K. 2007/33 dated March 22, 2007) published in the Official Gazette No. 26479 dated March 31, 2007, and the effect of the law article was suspended from the date of the publication of the decision.

The reasoning of the Constitutional Court regarding the abrogation of the corresponding article was published in the Official Gazette dated December 15, 2007, No 26372. With the publication of the reasoning of the decision, the Grand National Assembly of Turkey ("GNAT") started to work on new legal arrangements regarding the transfer of the fund members to SSI and the related articles of the "Law Regarding the Changes in Social Insurance and General Health Insurance Law and Other Related Laws and Regulations" No 5754 ("the New Law") regulating the transfer of the funds were approved by the GNAT on April 17, 2008. The New Law was published in the Official Gazette No. 26870 dated May 8, 2008. With the new law, the banks' pension funds will be transferred to SSI within three years from the date of publication of the decree and this period can be extended for a maximum of two years with the decision of the Council of Ministers. The transfer period was extended for another two years with the decision of the Council of Ministers No. 2011/1559 published in the Official Gazette dated April 9, 2011. According to the "Amendment of Social Insurance and General Health Insurance Law No. 6283" published in the Official Gazette dated March 8, 2012, Council of Ministers was authorized to increase the two-year extension period mentioned above to four years. According to the decision of The Council of Ministers dated February 24, 2014, the transfer date is set as May 2015. The Council of Ministers was authorized to determine the transfer date of pension funds in accordance with the last amendment in the first paragraph of the 20th provisional article of Law No.5510 implemented by the Law No. 6645 on Amendment of the Occupational Health and Safety Law and Other Laws and Decree Laws published in the Official Gazette dated April 23, 2015 and numbered 29335.

A commission (whose members are the representatives of the SSI, the Ministry of Finance, Turkish Treasury, State Planning Organization, BRSA, Saving Deposit Insurance Fund ("SDIF"), one member representing the Fund and one member representing the Fund members) is in charge of the calculation of the value of the payment that would need to be made to SSI to settle the obligation using a technical interest rate of 9,8% by law taking into consideration income and expenses by insurance branches of the funds and the excess of salaries and income paid by the funds over the salaries and income to be paid in accordance with the SSI arrangements which should not be less than SSI arrangements, related to the members of the Fund as of the date of the transfer including the members who have left the scheme.

In accordance with the New Law, after the transfer to SSI, any social rights and payments to Fund members and their beneficiaries which are not provided although they are included in the Fund Title Deed will continue to be provided by the Fund and the employers of the Fund members.

The Parent Bank accounts for a provision for the technical deficit based on the report prepared by a registered actuary in accordance with the rates determined by the New Law.

16.3. Short term benefits of employee:

Within the scope of "TAS 19- Employee Rights", the Group measures the expected costs of accumulated paid leaves as expected payments it will make due to unused leave rights as at the end of the reporting date.

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

17. Explanations on taxation:

17.1. Current tax:

The corporate tax rate is 20% in accordance with the article number 32 of the New Corporate Tax Law no.5520 which is published in the official Gazette dated June 21, 2006 and numbered 26205.

In addition, with the 91st article of The Law numbered 7061 on Amendment of Certain Taxes and Laws and Other Acts which came into effect, being published in the Official Gazette dated December 5, 2017 and numbered 30261, current 20% corporate tax rate, will be applied as 22% for enterprises' corporate income belonging to the taxation periods of 2018, 2019 and 2020. 22% rate will also be valid for aforementioned years' in the provisional tax declaration.

Corporate tax rate business income tax in accordance with the laws of the institutions to be added as unacceptable the reduction of costs in the tax laws, exemptions and reductions to the tax base found as a result of the reduction that will be applied. Additional tax is not payable unless the profit is distributed.

Turkish tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, provisions for taxes, as reflected in these consolidated financial statements, have been calculated on a separate-entity basis.

Dividends paid to non-resident corporations, which have a place of business in Turkey or to resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as profit distribution and no withholding tax incurs in such a case.

Corporations are required to pay advance corporate tax quarterly on their corporate income. Advance tax is declared by the 14th and paid by the 17th day of the second month following each calendar quarter end. Advance tax paid by corporations for the current period is credited against the annual corporation tax calculated on the annual corporate income in the following year. Despite the offset, if there is temporary prepaid tax remaining, this balance can be refunded or used to offset any other financial liabilities to the government.

A 75% portion of the capital gains (have been set as 50% for real estate properties as of December 5, 2017) derived from the sale of equity investments and immovable properties held for at least two years is tax exempt, if such gains are added to paid-in capital or held in a special account under shareholder's equity for five years.

Under the Turkish Corporate Tax Law, losses can be carried forward to offset against future taxable income for up to five years. Losses cannot be carried back to offset profits from previous periods.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Tax returns are required to be filled and delivered to the related tax office until the evening of the 25th of the fourth month following the balance sheet date and the accrued tax is paid until the end of the same month. Tax returns are open for 5 years from the beginning of the year following the balance sheet date and during this period the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

Tax rates that are used in tax calculations before the exemptions by foreign subsidiaries by taking current tax regulations in their countries into consideration as of June 30, 2018 are as follows:

Netherlands	25,00%
Azerbaijan	20,00%
Malta	35,00%

17.2. Deferred tax:

The Group calculates and accounts for deferred income taxes for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in these financial statements in accordance with "TAS 12-Income Taxes" and in accordance with BRSA's explanations and circulars and the tax legislation. The Group calculates deferred tax on deductible temporary differences, to the extent that future taxable income is estimated to be available. In the deferred tax calculation, the enacted tax rate, in accordance with the tax legislation, is used as of the balance sheet date.

Deferred tax liabilities are recognized for all resulting temporary differences whereas deferred tax assets resulting from temporary differences are recognized to the extent that future taxable profit will be available against which the deferred tax asset can be utilised.

Deferred tax assets and liabilities of subsidiaries subject to consolidation have been netted of in their standalone financial statements in accordance with "TAS 12-Income Taxes". The calculated deferred tax asset and deferred tax liability are presented as net in these financial statements.

Tax effects of the transactions that are directly accounted under equity are also reflected to equity.

Additionally, in accordance with the related legislation of BRSA, deferred tax effect, if income, is not eligible for dividend distribution and share capital increase.

17.3. Transfer pricing:

The article no.13 of the Corporate Tax Law No.5520 describes the issue of transfer pricing under the title of "Disguised profit distribution" by way of transfer pricing (previously included as "Disguised profit" in the Corporate Tax Law No.5422). "The General Communiqué on Disguised Profit Distribution by Way of Transfer Pricing" published at November 18, 2007/26704, explains the application related issues on this topic effective from January 1, 2007, also taking into account the regulations in Article 41 of the Income Tax Law.

"Arm's length principle", which is the basis for the transfer pricing rule, is the pricing system to be followed for purchase or sale activities between related parties for any product or service transactions as if the transaction is realized with any other third party. According to this communiqué, if the taxpayers conduct transactions like purchase and sale of goods or services with the related parties where the prices are not determined according to the arm's length principle, then it will be concluded that there is a disguised profit distribution by way of transfer pricing. Such disguised profit distributions will not be deducted from the corporate tax base for tax purposes.

As discussed in the relevant section of this communiqué, the taxpayers are required to fill out the "Transfer Pricing, Controlled Foreign Entities and Thin Capitalization" form for the purchase and sale of goods or services conducted with their related parties in a taxation period, attach these forms to their corporate tax returns and submit to the tax offices.

18. Additional explanations on borrowings:

The financial liabilities classified at fair value through profit/loss, trading and derivative financial liabilities are valued with their fair values and the other financial liabilities are carried at "amortized cost" including costs of transactions using the "effective interest method".

The Group classifies some of its financial liabilities as the financial liabilities classified at fair value through profit/loss in order to eliminate the accounting mismatch at the initial recognition. For the related liabilities until the maturity, the Bank presents interest expenses paid and the difference between amortized cost and acquisition cost in the interest expense, the difference between the fair value of the financial liabilities and amortized cost presents under the trading gain/(loss) in the income statement.

The Group utilises various hedging techniques to minimise the currency, interest rate and liquidity risks of its financial liabilities. No convertible bonds have been issued.

Also, Group obtains funds by issuing bonds and bills.

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

19. Explanations on issuance of share certificates:

When shares are issued above their nominal value, the excess over the nominal value is accounted under shareholders' equity as "Share premium".

No dividend payments of the Parent Bank were announced after the balance sheet date.

20. Explanations on avalized drafts and letter of acceptances:

Avalized drafts and acceptances are included in the "off-balance sheet commitments".

21. Explanations on government grants:

In accordance with the related articles of the "Law Regarding the Supporting of Research and Development Activities" numbered 5746, until balance sheet date, the Group received government grant from TÜBİTAK amounting to TL 1.177 (December 31, 2017 - TL 1.183).

22. Profit reserves and profit distribution:

Retained earnings as per the statutory financial statements other than legal reserves are available for distribution, subject to the legal reserve requirement referred to below. Legal reserves consist of first and second reserves as foreseen in the TCC. The TCC specifies that the first legal reserve is appropriated at the rate of 5% until the total reserve is equal to 20% of paid-in capital and that the second legal reserve is appropriated at the rate of 10% of distributions in excess of 5% of paid-in capital; however holding companies are not subject to this application. According to the Turkish Commercial Code, legal reserves can only be used to compensate for accumulated losses and cannot be used for other purposes unless they exceed 50% of paid-in capital.

23. Earnings per share:

Earnings per share disclosed in the income statement are calculated by dividing net profit/loss for the period to the weighted average number of shares outstanding during the period concerned.

	Current Period	**Prior Period**
Net Income/(loss) to be appropriated to ordinary shareholders	2.471.232	1.893.198
Weighted average number of issued ordinary shares(thousand)	436.982.906	434.705.128
Earnings per share (full TL)	**0,0057**	**0,0044**

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings. These bonus shares are treated as issued shares in earnings per share computations. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year is adjusted in respect of bonus shares issued without a corresponding change in resources by giving them a retroactive effect. In case bonus shares are distributed after the balance sheet date but before the preparation of the financial statements, earnings per share is calculated considering the new number of shares.

No bonus shares were issued during 2018 (2017 - no bonus shares were issued).

24. Related parties:

For the purpose of these financial statements, shareholders having control shares of the Bank, key management personnel and board members together with their families and companies controlled by/affiliated with them, associated companies and joint ventures and the Fund providing post employment benefits are considered and referred to as related parties in accordance with "TAS 24-Related Parties". The transactions with related parties are disclosed in detail in Note 7. of Section Five.

25. Explanations on operating segments:

Information about operating segments which are determined in line with “TFRS 8- Operating Segments” together with organizational and internal reporting structure of the Bank, are disclosed in Note 10 of Section Four.

26. Explanations on other matters:

None.

27. Explanations on legal mergers under common control:

As in “TFRS 3- Business Combinations” or in another standard in TFRS there is an absence of treatment that specifically applies to business combinations involving entities under common control, by examining the practices included in the generally accepted global accounting standards the Group decided to apply an accounting policy in parallel with the “pooling of interests” method in view of its judgement that the economic substance of the relevant transaction will be most reliably and accurately reflected in this manner. In the accounting of business combinations which occur under common control, assets and liabilities, subject to business combinations, are accounted for in the consolidated financial statements at their carrying values. Income statements are consolidated as of the beginning of the financial year in which the business combinations occurred. Financial statements belonging to previous periods also are adjusted in the same way in order to ensure the comparability. As a result of those transactions, any goodwill or negative goodwill is not calculated. The difference between the investment amount and the share in capital in the acquired company is directly accounted under equity as “the effect of legal mergers under common control”.

POA has issued a policy decision in July, 2013 regarding “Accounting for business combinations Subject to Joint Control Group” which is effective for annual periods beginning on December 31, 2012. Based on this decision, i) rights in business combinations under common control combinations should be accounted for by the method of pooling of interest, ii) due to that goodwill should be included in the financial statements, iii) while pooling of interest method is applied, at the beginning of the reporting period where the common control occurs, corrections should be made in the financial statements as if the combination has been completed and this common control should be represented comparatively. The accounting policy applied by the group is consistent with the decision of principle.

28. Explanations on prior period accounting policies not valid for the current period:

"TFRS 9 Financial Instruments" standard came into effect instead of "TAS 39 Financial Instruments: Recognition and Measurement" as of January 1, 2018. Accounting policies lost their validity with the transition of TFRS 9 are given below:

The Bank classifies and accounts its financial assets as “fair value through profit or loss”, “available-for-sale”, “loans and receivables” or “held-to-maturity”. The appropriate classification of financial assets of the Bank is determined at the time of purchase by the Bank management, taking into consideration the purpose of holding the investment. Regular purchases and sales of financial assets are recorded based on settlement date. Settlement date of a financial asset is the date that the asset is received or delivered by the Bank. Settlement date accounting requires; (a) accounting for the financial asset when the asset is received and (b) accounting of disposal of the financial asset and recording the related profit and loss when the asset is delivered. The fair value changes of an asset to be acquired between the trade date and settlement date is accounted in accordance with the basis of valuation of assets.

28.1. Financial assets at fair value through profit or loss:

Financial assets, which are classified as “Financial assets at fair value through profit or loss”, are trading financial assets and are either acquired for generating profit from short-term fluctuations in the price or dealer’s margin, or are the financial assets included in a portfolio in which a pattern of short-term profit making exists independent from the acquisition purpose.

Trading financial assets are initially recognized at fair value and are subsequently re-measured at their fair value. However, if fair values cannot be obtained from active market transactions, it is assumed that the fair value cannot be measured reliably and fair values are calculated by alternative models. All gains and losses arising from these valuations are recognized in the income statement. Interest earned while holding financial assets is reported as interest income and dividends received are included separately in dividend income.

Derivative financial instruments are treated as trading financial assets unless they are designated as hedge instruments.

28.2. Held-to-maturity financial assets:

Held-to-maturity financial assets are non-derivative financial assets other than loans and receivables, with fixed maturities and fixed or determinable payments where management has the intent and ability to hold the financial assets to maturity and that are not initially classified as financial assets at fair value through profit/loss or available for sale. Held-to-maturity financial assets are initially recognized at total of acquisition and transaction cost. Held-to-maturity securities are carried at "Amortized cost" using the "Effective interest method" after their initial recognition. Interest income related with held-to-maturity securities is recorded in "Interest income" and impairment arising from a decrease in cost or revalued amounts is recorded in "Provision for impairment of loans and other receivables" accounts.

There are no financial assets that were previously classified as held-to-maturity but cannot be subject to this classification for two years due to breach of classification principles. In accordance with "TAS 39- Financial Instruments: Recognition and Measurement", sales or reclassification to available for sale portfolio of insignificant amount of financial assets, sale or reclassification to available for sale portfolio of financial assets which are close to maturity less than three months, or sale or reclassification to available for sale portfolio of assets as a result of significant increase in the risk weights of held-to-maturity investments used for regulatory risk-based capital purposes will not result in tainting.

28.3. Loans and receivables:

Loans and receivables are financial assets raised through lending without having the intention to trade in the short term. Loans and receivables are non derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted on active market. Loans and receivables are recognized initially at cost including transaction costs (which reflect fair values) and subsequently carried at the amortized cost using the "effective interest method". The expenses incurred for the assets received as collateral are not considered as transaction costs and are recognized in the expense accounts.

Retail, commercial and corporate loans included in cash loans are accounted for with their original maturities in accounts which are mentioned in the Uniform Chart of Accounts ('UCA'). Foreign currency indexed loans are initially measured at local currency accounts with the foreign exchange rate prevailing at date of the initial recognition and re-valued with the relevant foreign currency rates prevailing at the date of the financial statements. Increase or decrease in the value of the principal amount of the loan due to changes in foreign exchange rates is accounted in the related income and expense accounts. Repayment amounts are translated with the foreign exchange rates prevailing at the repayment dates and the valuation differences is accounted for in foreign exchange gain/loss accounts.

The Parent Bank provides general and specific provisions based on the assessments and estimates of the management, by considering the "Communiqué Related to Principles and Procedures on Determining the Qualifications of Banks' Loans and Other Receivables and the Provision for These Loans and Other Receivables" ("Provisioning Regulation") published in the Official Gazette No. 26333 dated November 1, 2006. In this context, the management estimates are determined, on the basis of the prudence principle and the Parent Bank credit risk policies, considering the general structure of the loan portfolio, the financial conditions of the customers, non-financial information and the economic conjuncture.

Provision expenses are deducted from the net income of the year. If there is a subsequent collection from a receivable that was already provisioned in previous years, the recovery amount is classified under "Other operating income". Uncollectible receivables are written-off after all the legal procedures are finalized.

28.4. Available-for-sale financial assets:

Available-for-sale financial assets are defined as financial assets other than the ones classified as “Loans and receivables”, “Held-to-maturity assets” or “Financial assets at fair value through profit or loss”.

Available-for-sale financial assets are subsequently re-measured at fair value. When fair values based on market prices cannot be obtained reliably, the available-for-sale financial assets are carried at fair values determined by using alternative models. Available for sale equity securities which are not quoted on a market and the fair values of which can not be determined reliably, are carried at cost less any impairment. “Unrealized gains and losses” arising from changes in the fair value of financial assets classified as available-for-sale are recognized in the shareholders’ equity as “Marketable securities valuation differences”, until the related assets are impaired or disposed. When these financial assets are disposed or impaired, the related fair value differences accumulated in the shareholders’ equity are transferred to the income statement. Interest and dividends received from available for sale assets are recorded in interest income and dividend income as appropriate.

Interest income on available for sale financial assets are calculated by effective interest rate method and are accounted for in interest income account. At the time of sale of an available for sale financial assets before the maturity, the difference between the profit, which is the difference between the cost and sales price of the financial assets, and the interest income accrual are accounted under “Trading gains/(losses) on securities” according to the UCA.

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

Section four - Information related to financial position of the Group

1. Explanations on consolidated own funds:

The calculation of the own funds and the capital adequacy standart ratio are performed in accordance with the communiqués such as "Regulation Regarding the Measurement and Evaluation of Banks' Capital Adequacy Ratio", "Regulation Credit Risk Mitigation Techniques", "Regulation on calculation of Risk-Weighted Amounts of Securitizations" and "Regulation Regarding Banks' Shareholders' Equity".

The consolidated capital adequacy ratio of the Group is 13,93% (December 31, 2017 – 13,37%) and the Parent Bank is 15,08% (December 31, 2017 – 14,49%).

1.1. Information related to capital adequacy ratio:

	Current Period	Amounts subject to treatment before 1/1/2014[1]	Prior Period	Amounts subject to treatment before 1/1/2014[1]
COMMON EQUITY TIER 1 CAPITAL				
Paid-up Capital	8.447.051		4.347.051	
Share issue premiums	556.937		543.881	
Retained earnings	21.237.246		17.697.018	
Accumulated other comprehensive income and other disclosed reserves which defined in the Turkish Accounting Standards	5.800.494		3.538.112	
Profit	4.111.186		5.254.035	
Net profit of the period	2.471.232		3.614.081	
Profit of the previous years	1.639.954		1.639.954	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	5.667		5.667	
Minority interest	558		541	
Common Equity Tier 1 capital before regulatory adjustments	**40.159.139**		**31.386.305**	
Common Equity Tier 1 capital: regulatory adjustments				
Prudential valuation adjustments	94.571		91.324	
The sum of the net loss for the current period and the previous years which could not be absorbed by the retained earnings and losses recognised in equity in accordance with TAS	2.353.902		1.284.479	
Improvement costs for operating leasing	86.773		98.823	
Goodwill (net of related tax liability)	979.493		783.594	979.493
Other intangibles other than mortgage-servicing rights (net of related tax liability)	702.823		533.737	667.171
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-		-	
Cash-flow hedge reserve	2.326.078		836.691	
Shortfall of provisions to expected losses	-		-	
Securitisation gain on sale	-		-	
Gains and losses due to changes in own credit risk on fair valued liabilities	-		-	
Defined-benefit pension fund net assets	-		-	
Investments in own shares	-		-	
Credits extended contrary to the fourth paragraph of Articles 56 of the Banking Law	-		-	
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-		-	
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank owns more than 10% of the issued share capital (amount above 10% threshold)	-		-	
Mortgage servicing rights (amount above 10% threshold)	-		-	
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-		-	
Amount exceeding the 15% threshold (-) of the common equity Tier 1 in accordance with the second paragraph of the provisional article 2 in the regulation regarding the Banks' Shareholders' Equity	-		-	
The amount above threshold for the investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank owns more than 10% of the issued share capital	903.308		790.411	
The amount above threshold for mortgage servicing rights	-		-	
The amount above threshold for deferred tax assets arising from temporary differences	-		-	
National specific regulatory adjustments which shall be determined by the BRSA	-		-	
Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-		-	
Total regulatory adjustments to Common equity Tier 1	**7.446.948**		**4.419.059**	
Common Equity Tier 1 capital (CET1)	**32.712.191**		**26.967.246**	

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

ADDITIONAL TIER 1 CAPITAL	**Current Period**	**Amounts subject to treatment before 1/1/2014(1)**	**Prior Period**	**Amounts subject to treatment before 1/1/2014(1)**
Preffered shares that are not included in Common Equity Tier 1 capital and related shares issue premiums	-		-	
Eligible capital instruments and relevant share issue premiums that are approved by the BRSA	-		-	
Eligible capital instruments and relevant share issue premiums that are approved by the BRSA (For the purposes of the Provisional Article 4 of the Regulation on Banks' Own Funds)	-		-	
Additional Tier 1 capital before regulatory adjustments				
Additional Tier 1 capital: regulatory adjustments				
Investments in own Additional Tier 1 instruments	-		-	
Reciprocal cross-holdings in Additional Tier 1 instruments	-		-	
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-		-	
Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-		-	
National specific regulatory adjustments which shall be determined by the BRSA	-		-	
Regulatory Adjustments which will be deducted from Tier 1 capital during the transition period	-		-	
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-	329.333	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-		-	
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions			-	
Total regulatory adjustments to Additional Tier 1 capital	**-**		**-**	
Total Additional Tier 1 capital	**-**		**-**	
Total Tier 1 capital (Tier 1 capital = Common Equity Tier 1 capital + Additional Tier 1 capital)	**32.712.191**		**26.637.913**	
TIER 2 CAPITAL				
Eligible capital instruments and relevant share issue premiums that are approved by the Agency	6.558.287		5.865.305	
Eligible capital instruments and relevant share issue premiums that are approved by the Agency (For the purposes of the Provisional Article 4 of the Regulation on Banks' Own Funds)	711.040		711.040	
Shares of Third Parties in Additional Tier I Capital	-		-	
Shares of Third Parties in Additional Tier I Capital (Covered by Temporary Article 3)	-		-	
Provisions (Article 8 of the Regulation on the Equity of Banks) (2)	2.751.934		3.130.251	
Tier 2 capital before regulatory adjustments	**10.021.261**		**9.706.596**	
Tier 2 capital: regulatory adjustments				
Direct and indirect investments of the Bank on its own Tier 2 Capital (-)	-		-	
Investments of the Bank to banks that invest on the Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8	76.371		72.789	
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold) (-)	-		-	
Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions) (-)	-		-	
National specific regulatory adjustments which shall be determined by the BRSA				
Total regulatory adjustments to Tier 2 capital	**76.371**		**72.789**	
Total Tier 2 capital	**9.944.890**		**9.633.807**	
Total Capital (The sum of Tier 1 capital and Tier 2 capital)	**42.547.508**		**36.132.636**	
The Sum of Tier 1 Capital and Tier 2 Capital (Total Capital)				
Credits extended contrary to the provisions of Articles 50 and 51 of the Banking Law	3.353		3.885	
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years (3)	-		-	
National specific regulatory adjustments which shall be determined by the BRSA	106.220		135.199	
Regulatory Adjustments which will be deducted from Total Capital during the transition period				
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold) which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)				
Significant investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold) which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)				
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions(amount above 10% threshold), mortgage servicing rights (amount above 10% threshold), deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability) which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)				

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

OWN FUNDS	**Current Period**	**Prior Period**
Total Capital (The sum of Tier 1 capital and Tier 2 capital)	42.547.508	36.132.636
Total Risk Weighted Assets	305.542.813	270.278.292
CAPITAL ADEQUACY RATIOS		
Common Equity Tier 1 Capital Adequacy Ratio (%)	10,71	9,98
Tier 1 Capital Adequacy Ratio (%)	10,71	9,86
Capital Adequacy Ratio (%)	13,93	13,37
BUFFERS		
Institution specific buffer requirement of the Bank (a+b+c)	3,035	2,017
a)Capital conservation buffer requirement (%)	1,875	1,250
b)Bank's specific countercyclical buffer requirement (%)	0,035	0,017
c)Systemically important Bank buffer	1,125	0,750
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets (%)	4,701	3,978
Amounts below the thresholds for deduction (before risk weighting)		
Non-significant investments in the capital of other financials	-	-
Significant investments in the common stock of financials	-	-
Mortgage servicing rights (net of related tax liability)	-	-
Deferred tax assets arising from temporary differences (net of related tax liability)	2.028.028	1.780.093
Applicable caps on the inclusion of provisions in Tier 2 capital		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	3.555.519	3.410.805
Up to 1.25% of total risk-weighted amount of general provisions for receivables where the standard approach used	3.528.121	3.130.251
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Excess amount of total provision amount to 0,6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)		
Current cap on Additional Tier 1 capital instruments which subject to phase out arrangements in the Provisional Article 4 of the Regulation on Banks' Own Funds	-	-
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities) which subject to Provisional Article 4 of the Regulation on Banks' Own Funds	-	-
Current cap on Tier 2 capital instruments which subject to phase out arrangements in the Provisional Article 4 of the Regulation on Banks' Own Funds	711.040	-
Amount excluded from T2 due to cap (excess over cap after redemptions and maturities) which subject to Provisional Article 4 of the Regulation on Banks' Own Funds	3.849.660	-

(1) The specified amounts are the figures calculated for the items subject to the phasing.
(2) Represents after tax, net amount of general provisions.
(3) According to the "Regulation Regarding to changes on Regulation on Banks' Shareholders' Equity" published in Official Gazette No.30121 on July 11, 2017, related article has been abolished.

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

1.2. Information on debt instruments included in the calculation of equity:

	1	2	3	4
Issuer	UNICREDIT SPA	UNICREDIT SPA	Yapı ve Kredi Bankası A.Ş.	Yapı ve Kredi Bankası A.Ş.
Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	-	-	XS0861979440/ US984848AB73	XS1376681067
Governing law(s) of the instrument	BRSA / Austria Law	BRSA / Austria Law	BRSA / CMB / LONDON STOCK EXCHANGE / English Law	English Law /Turkish Law
Regulatory treatment				
Transitional Basel III rules	No	No	Yes	No
Eligible at stand-alone / consolidated	Stand-alone -Consolidated	Stand-alone –Consolidated	Stand-alone –Consolidated	Stand-alone -Consolidated
Instrument type (types to be specified by each jurisdiction)	Loan	Loan	Bond	Bond
Amount recognised in regulatory capital (Currency in mil, as of most recent reporting date)	2.134	2.144	711	2.280
Par value of instrument	2.668	2.144	4.561	2.280
Accounting classification	Liability – Subordinated Loans- amortized cost	Liability – Subordinated Loans- amortized cost	Liability – Subordinated Loans- amortized cost	Liability – Subordinated Loans- amortized cost
Original date of issuance	January 9, 2013	December 18, 2013	December 6, 2012	March 8, 2016
Perpetual or dated	Dated	Dated	Dated	Dated
Original maturity date	10 years	10 years	10 years	10 years 1 day
Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes
Optional call date, contingent call dates and redemption amount	After 5th year	After 5th year	-	After 5th year
Subsequent call dates, if applicable	After 5th year	After 5th year	-	-
Coupons / dividends				
Fixed or floating dividend/coupon	Fixed	Fixed	Fixed	Fixed
Coupon rate and any related index	5,7%	6,55% (5 Year MidSwap+ 4,88% coupon)	5,5%	8,625% (5 Year MidSwap+ 7,40% coupon)
Existence of a dividend stopper	No interest accrue after the date of value decrease for the decreased amount	No interest accrue after the date of value decrease for the decreased amount	-	No interest accrue after the date of value decrease for the decreased amount
Fully discretionary, partially discretionary or mandatory	-	-	-	Mandatory
Existence of step up or other incentive to redeem	-	-	-	-
Noncumulative or cumulative	Noncumulative	Noncumulative	Noncumulative	Cumulative
Convertible or non-convertible				
If convertible, conversion trigger (s)	-	-	-	-
If convertible, fully or partially	-	-	-	-
If convertible, conversion rate	-	-	-	-
If convertible, mandatory or optional conversion	-	-	-	-
If convertible, specify instrument type convertible into	-	-	-	-
If convertible, specify issuer of instrument it converts into	-	-	-	-
Write-down feature				
If write-down, write-down trigger(s)	-	-	-	In case of default
If write-down, full or partial	-	-	-	Partial
If write-down, permanent or temporary	-	-	-	Permanent
If temporary write-down, description of write-up mechanism	-	-	-	-
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	After the senior creditors, before the TIER 1 subdebt, same with TIER 2	After the senior creditors, before the TIER 1 subdebt, same with TIER 2	After the senior creditors, before the TIER 1 subdebt, same with TIER 2	After the senior creditors, before the TIER 1 subdebt, same with TIER 2
In compliance with article number 7 and 8 of "Own fund regulation"	No	No	Yes	No
Details of incompliances with article number 7 and 8 of "Own fund regulation"	-	-	8-2-ğ	-

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

1.3. There are differences between the figures in the own funds and their corresponding amounts in the balance sheet. Within this context; in the calculation of own funds, the losses that are related to cash flow hedge transactions are not considered in the own funds and the prudential valuation adjustments calculated in accordance with the (i) item of the first paragraph in the ninth article of the "Regulation Regarding Banks' Shareholders' Equity" are considered in the own funds. In addition, the subordinated liabilities are considered after the adjustments made in accordance with the ninth paragraph of the eighth article and in the provisional fourth article of the "Regulation Regarding Banks' Shareholders' Equity".

2. Explanations on Consolidation Based Risk Management:

Notes and explanations in this section have been prepared in accordance with the Communiqué on Disclosures about Risk Management to be Announced to Public by Banks that have been published in Official Gazette no. 29511 on October 23, 2015 and became effective as of March 31, 2016. Due to usage of standard approach for the calculation of capital adequacy ratio by the Bank, tables, which have to be prepared within the scope of Internal Rating-Based (IRB) approach, have not been presented.

2.1. General Information on Risk Management and Risk Weighted Amount

2.1.1. Overview of Risk Weighted Assets

		Risk Weighted Assets		Minimum Capital Requirements
		Current Period	Prior Period	Current Period
1	**Credit risk (excluding counterparty credit risk) (CCR)**	**276.135.389**	**242.416.648**	**22.090.831**
2	Of which standardised approach (SA)	276.135.389	242.416.648	22.090.831
3	Of which internal rating-based (IRB) approach	-	-	-
4	**Counterparty credit risk**	**6.090.101**	**7.955.474**	**487.208**
5	Of which standardised approach for counterparty credit risk (SA-CCR)	6.090.101	7.955.474	487.208
6	Of which internal model method (IMM)	-	-	-
7	**Equity positions in banking book under market-based approach**	-	-	-
8	**Equity investments in funds – look-through approach**	**24.140**	**47.101**	**1.931**
9	**Equity investments in funds – mandate-based approach**	-	-	-
10	**Equity investments in funds – fall-back approach**	-	-	-
11	**Settlement risk**	-	-	-
12	**Securitisation exposures in banking book**	-	-	-
13	Of which IRB ratings-based approach (RBA)	-	-	-
14	Of which IRB Supervisory Formula Approach (SFA)	-	-	-
15	Of which SA/simplified supervisory formula approach (SSFA)	-	-	-
16	**Market risk**	**2.319.225**	**1.790.287**	**185.538**
17	Of which standardised approach (SA)	2.319.225	1.790.287	185.538
18	Of which internal model approaches (IMM)	-	-	-
19	**Operational risk**	**20.973.958**	**18.068.782**	**1.677.917**
20	Of which Basic Indicator Approach	20.973.958	18.068.782	1.677.917
21	Of which Standardised Approach	-	-	-
22	Of which Advanced Measurement Approach	-	-	-
23	**Amounts below the thresholds for deduction (subject to 250% risk weight)**	-	-	-
24	**Floor adjustment**	-	-	-
25	**TOTAL (1+4+7+8+9+10+11+12+16+19+23+24)**	**305.542.813**	**270.278.292**	**24.443.425**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

2.1.2. Credit quality of assets

According to the BRSA Regulation "Regulation on the procedures and principles for the determination of qualification of loans and other receivables by Banks and provision to be set aside" in the cases:

- for which recovery of principal and interest or both delays for more than ninety days from their terms or;
- which have limited means for total recovery because debtors' equity or collaterals extended by them are found inadequate to cover payment of debts on respective terms and are likely to lead to losses in case any such problems observed are not solved or;
- for which debtors are recognized to have suffered substantial deterioration in their creditworthiness and credits have suffered weakness consequently or;
- for which it is believed that recovery by banks of principal or interest or both would delay for more than ninety days from their terms or due dates due to reasons such as problems encountered by debtors over operating capital financing or additional liquidity creation,

Provisions are calculated for these loans over the rates produced on the business model outputs of the Bank. There is no difference between "impaired loans" and "loans subject to provisioning" in the Bank. All loans with 90 days overdue are subject to specific provisioning.

In accordance with the regulation; in the event that failure to meet payment obligations towards banks stems from temporary liquidity difficulties related to the loans, including any overdue interest may be restructured or subject to a new redemption plan for the purpose of providing debtors with liquidity capability and ensuring recovery of receivables by the Bank.

		Gross carrying values of as per TAS		Allowances/	Net values
	Current Period	Defaulted exposures	Non-defaulted exposures	impairements	
1	Loans	9.335.890	237.954.862	10.929.087	236.361.665
2	Debt Securities	-	44.964.716	31.777	44.932.939
3	Off-balance sheet exposures	895.008	194.126.330	806.814	194.214.524
4	**Total**	**10.230.898**	**477.045.908**	**11.767.678**	**475.509.128**

		Gross carrying values of as per TAS		Allowances/	Net values
	Current Period	Defaulted exposures	Non-defaulted exposures	impairements	
1	Loans	9.615.028	213.897.773	10.551.862	212.960.939
2	Debt Securities	-	38.599.904	-	38.599.904
3	Off-balance sheet exposures	944.029	211.949.447	357.209	212.536.267
4	**Total**	**10.559.057**	**464.447.124**	**10.909.071**	**464.097.110**

2.1.3. Changes in stock of defaulted loans and debt securities:

		Current Period	**Prior Period**
1	**Defaulted loans and debt securities at end of the previous reporting period**	**10.559.057**	**10.201.408**
2	Loans and debt securities that have defaulted since the last reporting period	2.456.933	3.437.257
3	Returned to non-defaulted status	162.125	70.342
4	Amounts written off	1.648.913	1.628.561
5	Other changes	(974.054)	(1.380.705)
6	**Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)**	**10.230.898**	**10.559.057**

2.1.4. Credit risk mitigation techniques – overview:

Current Period	**Exposures unsecured: carrying amount as per TAS**	**Exposures secured by collateral**	**Colleteralized amount of exposures secured by collateral**	**Exposures secured by financial guarantees**	**Colleteralized amount of exposures secured by financial guarantees**	**Exposures secured by credit derivatives**	**Colleteralized amount of exposures secured by credit derivatives**
Loans	174.674.186	61.687.479	39.446.536	13.205.925	10.816.877	-	-
Debt securities	44.932.939	-	-	-	-	-	-
Total	**219.607.125**	**61.687.479**	**39.446.536**	**13.205.925**	**10.816.877**	**-**	**-**
Of which defaulted	1.178.931	455.111	53.737	33.717	4.977	-	-

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

Prior Period	**Exposures unsecured: carrying amount as per TAS**	**Exposures secured by collateral**	**Colleteralized amount of exposures secured by collateral**	**Exposures secured by financial guarantees**	**Colleteralized amount of exposures secured by financial guarantees**	**Exposures secured by credit derivatives**	**Colleteralized amount of exposures secured by credit derivatives**
Loans	165.645.053	47.315.886	33.738.112	8.868.731	8.124.409	-	-
Debt securities	38.599.904	-	-	-	-	-	-
Total	**204.244.957**	**47.315.886**	**33.738.112**	**8.868.731**	**8.124.409**	**-**	**-**
Of which defaulted	1.361.586	894.319	319.730	68.444	50.471	-	-

2.1.5. Standardised approach – Credit risk exposure and credit risk mitigation (CRM) effects:

	Current Period	**Exposures before CCF and CRM**		**Exposures post-CCF and CRM**		**RWA and RWA density**	
	Asset classes	**On-balance sheet amount**	**Off-balance sheet amount**	**On-balance sheet amount**	**Off-balance sheet amount**	**RWA**	**RWA density**
1	Exposures to central governments or central banks	87.132.423	880.067	97.801.545	1.181.939	12.073.362	12,20%
2	Exposures to regional governments or local authorities	-	-	-	-	-	-
3	Exposures to public sector entities	77.830	155.319	77.821	64.604	70.234	49,31%
4	Exposures to multilateral development banks	160.503	16.029	160.503	8.563	-	-
5	Conditional and unconditional receivables from banks and brokerage houses	18.782.095	5.490.068	18.934.828	2.690.956	9.697.308	44,84%
6	Exposures to corporates	135.303.645	135.912.902	129.386.925	45.684.999	173.258.187	98,96%
7	Retail exposures	75.134.262	54.784.552	68.072.011	13.075.868	60.860.909	75,00%
8	Exposures secured by residential property	11.190.959	344.950	11.190.959	164.347	3.974.357	35,00%
9	Exposures secured by commercial real estate	15.276.597	1.741.985	15.276.597	1.177.127	8.226.862	50,00%
10	Past-due loans	1.622.270	210.033	1.616.908	46.656	1.020.817	61,36%
11	Higher-risk categories by the Agency Board	11.778	26.769	11.695	8.482	29.308	145,25%
12	Exposures in the form of units or shares in collective investment undertakings (CIUs)	49.337	-	49.337	-	24.140	48,93%
13	Investments in equities	463.839	-	463.839	-	463.839	100,00%
14	Other assets	9.419.770	-	9.419.770	-	6.460.206	68,58%
	TOTAL(1)	**354.625.308**	**199.562.674**	**352.462.738**	**64.103.541**	**276.159.529**	**66,29%**

	Current Period	**Exposures before CCF and CRM**		**Exposures post-CCF and CRM**		**RWA and RWA density**	
	Asset classes	**On-balance sheet amount**	**Off-balance sheet amount**	**On-balance sheet amount**	**Off-balance sheet amount**	**RWA**	**RWA density**
1	Exposures to central governments or central banks	76.160.602	755.191	85.666.700	769.675	10.325.812	11,95%
2	Exposures to regional governments or local authorities	-	920	-	184	37	20,11%
3	Exposures to public sector entities	172.745	101.193	171.502	43.281	83.212	38,74%
4	Exposures to multilateral development banks	135.158	10.544	135.158	6.066	-	-
5	Conditional and unconditional receivables from banks and brokerage houses	11.541.797	4.243.618	11.738.223	2.025.271	6.226.348	45,24%
6	Exposures to corporates	116.001.002	127.899.646	110.748.564	38.809.920	148.252.893	99,13%
7	Retail exposures	70.962.560	52.044.227	64.544.947	12.279.976	57.618.695	75,00%
8	Exposures secured by residential property	10.609.461	291.189	10.609.461	138.631	3.761.832	35,00%
9	Exposures secured by commercial real estate	14.990.741	1.304.289	14.990.741	849.540	7.920.140	50,00%
10	Past-due loans	2.207.237	521.817	2.155.329	128.215	2.315.099	101,38%
11	Higher-risk categories by the Agency Board	50.017	522.865	49.984	136.343	277.368	148,86%
12	Exposures in the form of units or shares in collective investment undertakings (CIUs)	94.843	-	94.843	-	47.101	49,66%
13	Investments in equities	412.275	-	412.275	-	412.275	100,00%
14	Other assets	8.355.726	-	8.355.726	-	5.222.937	62,51%
	TOTAL(1)	**311.694.164**	**187.695.499**	**309.673.453**	**55.187.102**	**242.463.749**	**66,45%**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”))

2.1.6. Standard Approach: Receivables by risk classes and risk weights:

Current Period

	Asset classes/ Risk weight	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	%1250	Total credit risk exposure amount (after CCF and CRM)
1	Exposures to central governments or central banks	86.910.122	-	-	-	-	-	12.073.362	-	-	-	-	**98.983.484**
2	Exposures to regional governments or local authorities	-	-	-	-	-	-	-	-	-	-	-	**-**
3	Exposures to public sector entities	-	-	90.239	-	-	-	52.186	-	-	-	-	**142.425**
4	Exposures to multilateral development banks	169.066	-	-	-	-	-	-	-	-	-	-	**169.066**
5	Conditional and unconditional receivables from banks and brokerage houses	-	-	9.436.868	-	8.757.964	-	3.430.952	-	-	-	-	**21.625.784**
6	Exposures to corporates	-	-	757.128	-	2.416.063	-	171.898.733	-	-	-	-	**175.071.924**
7	Retail exposures	-	-	-	-	-	81.147.879	-	-	-	-	-	**81.147.879**
8	Exposures secured by residential property	-	-	-	11.355.306	-	-	-	-	-	-	-	**11.355.306**
9	Exposures secured by commercial real estate	-	-	-	-	16.453.724	-	-	-	-	-	-	**16.453.724**
10	Past-due loans	-	-	-	-	1.395.571	-	157.917	110.076	-	-	-	**1.663.564**
11	Higher-risk categories by the Agency Board	-	-	-	-	366	-	1.183	18.628	-	-	-	**20.177**
12	Exposures in the form of units or shares in collective investment undertakings (CIUs)	3.182	-	10.912	-	26.570	-	8.673	-	-	-	-	**49.337**
13	Investments in equities	-	-	-	-	-	-	463.839	-	-	-	-	**463.839**
14	Other assets	2.819.549	-	175.019	-	-	-	6.425.202	-	-	-	-	**9.419.770**
15	**Total**	**89.901.919**	**-**	**10.470.166**	**11.355.306**	**29.050.258**	**81.147.879**	**194.512.047**	**128.704**	**-**	**-**	**-**	**416.566.279**

Prior Period

	Asset classes/ Risk weight	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	%1250	Total credit risk exposure amount (after CCF and CRM)
1	Exposures to central governments or central banks	76.110.564	-	-	-	-	-	10.325.811	-	-	-	-	**86.436.375**
2	Exposures to regional governments or local authorities	-	-	184	-	-	-	-	-	-	-	-	**184**
3	Exposures to public sector entities	-	-	164.464	-	-	-	50.319	-	-	-	-	**214.783**
4	Exposures to multilateral development banks	141.224	-	-	-	-	-	-	-	-	-	-	**141.224**
5	Conditional and unconditional receivables from banks and brokerage houses	-	-	6.278.011	-	5.029.475	-	2.456.008	-	-	-	-	**13.763.494**
6	Exposures to corporates	-	-	686.431	-	1.512.889	-	147.359.164	-	-	-	-	**149.558.484**
7	Retail exposures	-	-	-	-	-	76.824.923	-	-	-	-	-	**76.824.923**
8	Exposures secured by residential property	-	-	-	10.748.092	-	-	-	-	-	-	-	**10.748.092**
9	Exposures secured by commercial real estate	-	-	-	-	15.840.281	-	-	-	-	-	-	**15.840.281**
10	Past-due loans	-	-	-	-	664.043	-	892.351	727.150	-	-	-	**2.283.544**
11	Higher-risk categories by the Agency Board	-	-	-	-	1.122	-	2.003	183.202	-	-	-	**186.327**
12	Exposures in the form of units or shares in collective investment undertakings (CIUs)	6.966	-	18.661	-	51.695	-	17.521	-	-	-	-	**94.843**
13	Investments in equities	-	-	-	-	-	-	412.275	-	-	-	-	**412.275**
14	Other assets	2.988.701	-	180.105	-	-	-	5.186.920	-	-	-	-	**8.355.726**
15	**Total**	**79.247.455**	**-**	**7.327.856**	**10.748.092**	**23.099.505**	**76.824.923**	**166.702.372**	**910.352**	**-**	**-**	**-**	**364.860.555**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

2.1.7. Assessment of Counterparty Credit Risk according to the models of measurement:

	Current Period	Revaluation Cost	Potential credit risk exposure	EEPE(1)	Alpha used for computing regulatory EAD	Exposure after credit risk mitigation	Risk Weighted Amounts
1	Standart Approach-CCR	4.165.313	1.305.971	-	1,40	5.428.112	3.618.890
2	Internal Model Approach					-	-
3	Simplified Standardised Approach for Credit Risk Mitigation					-	-
4	Comprehensive Method for Credit Risk Mitigation					372.955	28.643
5	Value at Risk for Repo Transactions, Securities or Commodity lending or borrowing transactions						-
6	**Total**						**3.647.533**

(1) Effective expected positive exposure

	Prior Period	Revaluation Cost	Potential credit risk exposure	EEPE(1)	Alpha used for computing regulatory EAD	Exposure after credit risk mitigation	Risk Weighted Amounts
1	Standart Approach-CCR	5.000.262	2.784.839	-	1,40	7.771.124	4.139.563
2	Internal Model Approach					-	-
3	Simplified Standardised Approach for Credit Risk Mitigation					-	-
4	Comprehensive Method for Credit Risk Mitigation					1.384.923	574.541
5	Value at Risk for Repo Transactions, Securities or Commodity lending or borrowing transactions						-
6	**Total**						**4.714.104**

(1) Effective expected positive exposure

2.1.8. Credit valuation adjustment (CVA) capital charge:

		Current Period		Prior period	
		Exposure (After credit risk mitigation methods)	Risk Weighted Amounts	Exposure (After credit risk mitigation methods)	Risk Weighted Amounts
	Total portfolio value with comprehensive approach CVA capital adequacy	-	-	-	-
1	(i) Value at risk component (3*multiplier included)	-	-	-	-
2	(ii) Stressed Value at Risk (3*multiplier included)	-	-	-	-
3	Total portfolio value with simplified approach CVA cap adequacy	5.801.067	2.244.796	9.156.047	3.137.756
4	**Total amount of CVA capital adequacy**	**5.801.067**	**2.244.796**	**9.156.047**	**3.137.756**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

2.1.9. Standardised approach– CCR exposures by regulatory portfolio and risk weights:

Current Period

	Risk Weights/Risk Classes	0%	10%	20%	35%	50%	75%	100%	150%	1250%	Total credit risk[1]
1	Central governments and central banks receivables	261.788	-	-	-	-	-	170.103	-	-	431.891
2	Local governments and municipalities receivables	-	-	224	-	-	-	-	-	-	224
3	Administrative and non commercial receivables	-	-	-	-	-	-	-	-	-	-
4	Multilateral Development Bank receivables	-	-	-	-	-	-	-	-	-	-
5	Banks and Intermediary Institutions receivables	-	-	1.231.822	-	2.107.920	-	10.003	-	-	3.349.745
6	Corporate receivables	-	-	-	-	39	-	2.311.916	-	-	2.311.955
7	Retail receivables	-	-	-	-	-	6.032	-	-	-	6.032
8	Mortgage receivables	-	-	-	81	96.682	-	-	-	-	96.763
9	Non performing receivables	-	-	-	-	-	-	-	-	-	-
10	High risk defined receivables	-	-	-	-	-	-	-	-	-	-
11	Investments in equities	-	-	-	-	-	-	-	-	-	-
12	Other receivables	-	-	-	-	-	-	-	-	-	-
	Total	**261.788**	**-**	**1.232.046**	**-**	**2.204.641**	**6.032**	**2.492.022**	**-**	**-**	**6.196.610**

Prior Period

	Risk Weights/Risk Classes	0%	10%	20%	35%	50%	75%	100%	150%	1250%	Total credit risk[1]
1	Central governments and central banks receivables	129.784	-	-	-	-	-	15.718	-	-	145.502
2	Local governments and municipalities receivables	-	-	190	-	-	-	-	-	-	190
3	Administrative and non commercial receivables	-	-	2	-	-	-	-	-	-	2
4	Multilateral Development Bank receivables	-	-	-	-	-	-	-	-	-	-
5	Banks and Intermediary Institutions receivables	-	-	1.989.359	-	5.587.916	-	235.575	-	-	7.812.850
6	Corporate receivables	-	-	183	-	240	-	1.340.318	-	-	1.340.741
7	Retail receivables	-	-	-	-	-	8.413	-	-	-	8.413
8	Mortgage receivables	-	-	-	42	55.536	-	-	-	-	55.578
9	Non performing receivables	-	-	-	-	-	-	-	-	-	-
10	High risk defined receivables										
11	Investments in equities	-	-	-	-	-	-	-	-	-	-
12	Other receivables	-	-	-	-	-	-	-	-	-	-
	Total	**129.784**	**-**	**1.989.734**	**42**	**5.643.692**	**8.413**	**1.591.611**	**-**	**-**	**9.363.276**

(1) Total credit risk: Value of Capital Adequacy Calculations after Counterparty Credit Risk methods are applied.

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

2.1.10. Composition of collateral for CCR exposure:

		Collaterals for Derivatives				Collaterals or Other Transactions	
	Current Period	Collaterals Taken		Collaterals Given		Collaterals Taken	Collaterals Given
		Segregated	Unsegregated	Segregated	Unsegregated		
1	Cash-domestic currency	-	1.422	-	-	10.064.803	530.836
2	Cash-foreign currency	-	7.336	-	-	477.837	-
3	Domestic sovereign debts	-	-	-	-	550.801	13.145.012
4	Other sovereign debt	-	-	-	-	-	-
5	Government agency debt	-	-	-	-	-	-
6	Corporate debts	-	-	-	-	-	-
7	Equity securities	-	-	-	-	-	-
8	Other collateral	-	34.414	-	-	-	-
9	**Total**	**-**	**43.172**	**-**	**-**	**11.093.441**	**13.675.848**

		Collaterals for Derivatives				Collaterals or Other Transactions	
	Prior Period	Collaterals Taken		Collaterals Given		Collaterals Taken	Collaterals Given
		Segregated	Unsegregated	Segregated	Unsegregated		
1	Cash-domestic currency	-	816	-	-	8.788.764	-
2	Cash-foreign currency	-	4.606	-	-	480.327	-
3	Domestic sovereign debts	-	-	-	-	-	9.678.127
4	Other sovereign debt	-	-	-	-	-	-
5	Government agency debt	-	-	-	-	-	-
6	Corporate debts	-	-	-	-	-	-
7	Equity securities	-	-	-	-	-	-
8	Other collateral	-	8.555	-	-	-	-
9	**Total**	**-**	**13.977**	**-**	**-**	**9.269.091**	**9.678.127**

2.1.11. Credit derivatives exposures:

	Current Period		Prior Period	
	Protection Bought	Protection Sold	Protection Bought	Protection Sold
Nominal				
Single-name credit default swaps	-	-	157.000	-
Index credit default swaps	-	-	-	-
Total return swaps	-	6.875.552	-	4.618.063
Credit Options	-	-	-	-
Other Credit Derivatives	-	-	-	-
Total Nominal	**-**	**6.875.552**	**157.000**	**4.618.063**
Rediscount Amount	**-**	**(269.853)**	**1.358**	**92.985**
Positive Rediscount Amount	-	9.743	1.358	92.985
Negative Rediscount Amount	-	(279.596)	-	-

2.1.12. Market risk under standardised approach:

		Current Period	Prior Period
		Risk Weighted Asset	Risk Weighted Asset
	Outright products	**2.294.533**	**1.566.603**
1	Interest rate risk (general and specific)	1.968.871	1.307.097
2	Equity risk (general and specific)	35.150	76.925
3	Foreign exchange risk	288.505	182.581
4	Commodity risk	2.100	-
	Options	**24.600**	**223.684**
5	Simplified approach	-	-
6	Delta-plus method	24.600	223.684
7	Scenario approach	-	-
8	Securitisation	-	-
9	**Total**	**2.319.225**	**1.790.287**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

2.1.13. Exposures to central counterparties:

		Current Period		Prior Period	
		Exposure at default (post-CRM)	RWA	Exposure at default (post-CRM)	RWA
1	**Exposure to Qualified Central Counterparties (QCCPs) (total)**		**197.772**		**103.615**
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions)); of which	-	-	-	-
3	(i) OTC Derivatives	395.543	197.772	207.229	103.615
4	(ii) Exchange-traded Derivatives	-	-	-	-
5	(iii) Securities financing transactions	-	-	-	-
6	(iv) Netting sets where cross-product netting has been approved	-	-	-	-
7	Segregated initial margin	-		-	
8	Non-segregated initial margin	-	-	-	-
9	Pre-funded default fund contributions	-	-	-	-
10	Unfunded default fund contributions	-	-	-	-
11	**Exposures to non-QCCPs (total)**		**-**		**-**
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions) ; of which)	-	-	-	-
13	(i) OTC Derivatives	-	-	-	-
14	(ii) Exchange-traded Derivatives	-	-	-	-
15	(iii) Securities financing transactions	-	-	-	-
16	(iv) Netting sets where cross-product netting has been approved	-	-	-	-
17	Segregated initial margin	-		-	
18	Non-segregated initial margin	-	-	-	-
19	Pre-funded default fund contributions	-	-	-	-
20	Unfunded default fund contributions	-	-	-	-

3. Explanations on consolidated currency risk:

The difference between the Group's foreign currency denominated and foreign currency indexed on- and off-balance sheet assets and liabilities is defined as the "Net Foreign Currency Position" and it is the basis of currency risk. Cross currency risk is also taken into consideration for the currency risk calculations and measurements.

The Group keeps the amount of currency risk exposure within the related legal limits and follows the exchange position on a daily/regular basis. In addition, although the internal exchange position limit is lower when compared to the related legal limit, there has not been any limit exceeding during the period. As an instrument of currency risk management, derivatives such as swap and forwards are used to reduce risk whenever needed. In order to guard against extreme volatility during the year stress tests are applied. Value at risk method is used for the measurement of foreign exchange risk.

The details of hedging of the foreign currency debt instruments and net foreign currency investment risk with derivative instruments are disclosed in section four Note 8.

The Parent Bank's publicly announced foreign exchange bid rates as of the date of the financial statements and for the last five working days prior to that date are as follows:

(Exchange rates presented as full TL)

	USD	EUR
Balance sheet evaluation rate	**4,5607**	**5,3092**
First day current bid rate	4,6083	5,3310
Second day current bid rate	4,6349	5,3960
Third day current bid rate	4,6740	5,4576
Fourth day current bid rate	4,6397	5,4071
Fifth day current bid rate	4,7077	5,4848
Arithmetic average of the last 30 days:	**4,6225**	**5,4044**
Evaluation rate as of December 31, 2017:	**3,7719**	**4,5155**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

Information on currency risk of the Group:

	EUR	USD	Other FC(4)	Total
Current period				
Assets				
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	10.611.634	19.480.609	5.390.023	35.482.266
Banks	4.168.621	4.181.917	172.472	8.523.010
Financial assets at fair value through profit or loss	1.932	181.146	-	183.078
Money market placements	1.194.571	-	-	1.194.571
Financial assets at fair value through other comprehensive income	777.062	2.630.633	141.763	3.549.458
Loans (1)	53.662.544	55.589.564	1.670.490	110.922.598
Investments in associates, subsidiaries and joint ventures	-	-	647.803	647.803
Financial assets measured at amortised cost	1.058.102	7.667.710	5	8.725.817
Hedging derivative financial assets	118.771	355.763	-	474.534
Tangible assets	2.474	-	14.592	17.066
Other assets (2)	3.504.229	2.167.918	366.436	6.038.583
Total assets	**75.099.940**	**92.255.260**	**8.403.584**	**175.758.784**
Liabilities				
Bank deposits	1.547.117	7.746.460	84.016	9.377.593
Foreign currency deposits	42.026.972	57.854.414	3.513.357	103.394.743
Funds from money market	588.406	140.327	-	728.733
Funds borrowed from other financial institutions	28.510.624	17.532.838	182.224	46.225.686
Marketable securities issued	1.033.980	16.602.906	112.987	17.749.873
Miscellaneous payables	3.197.079	305.024	95.437	3.597.540
Hedging derivative financial liabilities	25.749	4.630	-	30.379
Other liabilities(3)	744.159	19.486.180	16.731	20.247.070
Total liabilities	**77.674.086**	**119.672.779**	**4.004.752**	**201.351.617**
Net on balance sheet position	**(2.574.146)**	**(27.417.519)**	**4.398.832**	**(25.592.833)**
Net off balance sheet position(5)	**2.516.109**	**27.666.588**	**(3.571.121)**	**26.611.576**
Financial derivative assets	23.907.825	78.775.793	2.488.515	105.172.133
Financial derivative liabilities	21.391.716	51.109.205	6.059.636	78.560.557
Net position	**(58.037)**	**249.069**	**827.711**	**1.018.743**
Non-cash loans	**29.214.763**	**31.296.687**	**4.279.613**	**64.791.063**
Prior period				
Total assets	62.118.972	75.562.254	7.676.524	145.357.750
Total liabilities	59.423.436	106.991.565	3.223.331	169.638.332
Net on-balance sheet position	**2.695.536**	**(31.429.311)**	**4.453.193**	**(24.280.582)**
Net off-balance sheet position(5)	**(2.502.851)**	**31.509.469**	**(3.782.174)**	**25.224.444**
Financial derivative assets	13.280.501	92.012.170	2.872.164	108.164.835
Financial derivative liabilities	15.783.352	60.502.701	6.654.338	82.940.391
Net position	**192.685**	**80.158**	**671.019**	**943.862**
Non-cash loans	**23.039.874**	**25.396.253**	**3.920.074**	**52.356.201**

(1) Includes FX indexed loans amounting to TL 6.332.813 (December 31, 2017 - TL 5.895.865) which have been disclosed as TL in the financial statements.
(2) Does not include foreign currency prepaid expenses amounting to TL 246.937 (December 31, 2017 - TL 180.916). and foreign currency denominated general provisions.
(3) Does not include foreign currency other comprehensive income and expense under equity.
(4) Other FC column also includes gold balance.
(5) Forward transactions classified as commitments are also included.

4. Explanations on consolidated interest rate risk:

The monitoring of interest rate sensitive assets and liabilities of the Parent Bank, including sensitivity analysis regarding the effect of interest rate fluctuations on the financial statements, is performed by the risk management department for all interest sensitive instruments over carrying values. The results are presented monthly to the Asset and Liability Management function of the Executive Committee. By using sensitivity and scenario analyses, the possible effects by interest rate volatility are analyzed. In these analyses possible losses are calculated for the change in fair value of interest sensitive products by applying shock tests to interest rates.

Sensitivity analyses are also calculated daily within Market Risk reporting on the basis of maturity and foreign exchange types and reported to Senior Management by checking them against the determined limits.

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

The Parent Bank utilizes TL/FC and TL/TL interest rate swap transactions in order to limit the interest and foreign currency risk arising from short-term deposit and long-term consumer loans within the TL balance sheet. Furthermore, in order to reduce the repricing mismatch in the foreign currency balance sheet, foreign currency/foreign currency interest rate swaps are utilized.

4.1. Interest rate sensitivity of assets, liabilities and off-balance sheet items based on repricing dates:

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non interest bearing(1)	Total
Assets							
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	27.827.493	-	-	-	-	18.751.514	**46.579.007**
Banks	4.708.787	1.347.757	1.170.962	49.477	-	2.517.621	**9.794.604**
Financial assets at fair value through profit/loss	3.028	964	6.966	13.490	38.153	223.231	**285.832**
Receivables from money markets	2.338.586	10.618	-	-	-	-	**2.349.204**
Financial assets at fair value through other comprehensive income	3.346.047	4.705.876	7.242.147	6.232.378	3.011.689	65.809	24.603.946
Loans (1)	36.589.178	31.810.359	78.395.655	78.793.224	12.366.446	(1.593.197)	236.361.665
Financial assets measured at amortised cost	3.095.983	2.071.417	2.899.997	3.347.704	8.899.444	-	20.314.545
Other assets	1.520.883	2.737.170	1.476.654	3.888.195	628.658	14.525.791	24.777.351
Total assets	**79.429.985**	**42.684.161**	**91.192.381**	**92.324.468**	**24.944.390**	**34.490.769**	**365.066.154**
Liabilities							
Bank deposits	10.109.919	938.166	785.965	-	-	931.627	**12.765.677**
Other deposits	106.708.882	26.930.460	8.294.300	2.238.179	179.828	35.707.387	**180.059.036**
Funds from money market	15.344.962	784.817	748.813	-	-	-	**16.878.592**
Miscellaneous payables	-	-	-	-	-	14.552.816	**14.552.816**
Marketable securities issued	1.253.077	6.036.806	2.560.266	11.377.084	2.223.314	-	**23.450.547**
Funds borrowed from other financial institutions	15.932.159	12.463.169	10.391.337	7.892.173	1.680.893	-	**48.359.731**
Other liabilities(2)	1.354.385	7.607.024	1.786.659	9.084.149	4.937.818	44.229.720	**68.999.755**
Total liabilities	**150.703.384**	**54.760.442**	**24.567.340**	**30.591.585**	**9.021.853**	**95.421.550**	**365.066.154**
Balance sheet long position	**-**	**-**	**66.625.041**	**61.732.883**	**15.922.537**	**-**	**144.280.461**
Balance sheet short position	**(71.273.399)**	**(12.076.281)**	**-**	**-**	**-**	**(60.930.781)**	**(144.280.461)**
Off-balance sheet long position	12.583.927	29.988.381	-	-	-	-	42.572.308
Off-balance sheet short position	-	-	(1.772.403)	(34.953.897)	(5.118.663)	-	(41.844.963)
Total position	**(58.689.472)**	**17.912.100**	**64.852.638**	**26.778.986**	**10.803.874**	**(60.930.781)**	**727.345**

(1) Non-performing loans are presented in the "Non-Interest Bearing" column after being offset against expected loss provisions.
(2) Shareholders' equity is presented under "Non interest bearing"

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non interest bearing(1)	Total
Assets							
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	24.310.693	-	-	-	-	18.141.277	**42.451.970**
Banks	2.228.405	962.918	378.192	-	-	1.267.697	**4.837.212**
Financial assets at fair value through profit/loss	1.288.265	1.446.905	732.989	456.707	266.772	38.442	**4.230.080**
Money market placements	817.005	-	-	-	-	-	**817.005**
Available-for-sale financial assets	2.919.646	4.497.489	6.552.573	7.178.172	3.095.993	252.651	**24.496.524**
Loans	35.840.806	28.636.612	64.250.098	59.321.829	11.824.722	2.124.720	**201.998.787**
Held-to-maturity investments	1.274.198	1.617.022	2.551.131	1.166.133	7.588.582	-	**14.197.066**
Other assets	2.576.869	2.563.465	3.170.180	7.116.493	947.801	10.662.666	**27.037.474**
Total assets	**71.255.887**	**39.724.411**	**77.635.163**	**75.239.334**	**23.723.870**	**32.487.453**	**320.066.118**
Liabilities							
Bank deposits	7.323.732	918.218	374.006	180.657	-	636.676	**9.433.289**
Other deposits	100.218.389	21.934.939	8.864.874	1.495.220	168.085	31.268.837	**163.950.344**
Funds from money market	14.863.333	1.023.972	168.835	-	-	-	**16.056.140**
Miscellaneous payables	-	-	-	-	-	12.754.229	**12.754.229**
Marketable securities issued	1.020.721	9.701.148	3.222.011	7.399.208	1.934.783	-	**23.277.871**
Funds borrowed from other financial institutions	11.723.277	10.596.151	11.324.147	6.843.545	1.862.933	-	**42.350.053**
Other liabilities(1)	1.191.465	860.765	982.538	4.694.916	6.131.340	38.383.168	**52.244.192**
Total liabilities	**136.340.917**	**45.035.193**	**24.936.411**	**20.613.546**	**10.097.141**	**83.042.910**	**320.066.118**
Balance sheet long position	**-**	**-**	**52.698.752**	**54.625.788**	**13.626.729**	**-**	**120.951.269**
Balance sheet short position	**(65.085.030)**	**(5.310.782)**	**-**	**-**	**-**	**(50.555.457)**	**(120.951.269)**
Off-balance sheet long position	12.080.130	24.294.289	-	-	-	-	36.374.419
Off-balance sheet short position	-	-	(3.383.971)	(27.300.898)	(7.175.587)	-	(37.860.456)
Total position	**(53.004.900)**	**18.983.507**	**49.314.781**	**27.324.890**	**6.451.142**	**(50.555.457)**	**(1.486.037)**

(1) Shareholders' equity is presented under "Non-interest bearing"

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

4.2. Average interest rates for monetary financial instruments:

The following average interest rates of the Group are calculated by weighting the rates with their principal amounts outstanding as of the balance sheet date.

Current Period	**EUR**	**USD**	**Yen**	**TL**
	%	**%**	**%**	**%**
Assets(1)				
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	-	1,50	-	15,67
Banks	1,70	2,03	-	18,65
Financial assets at fair value through profit/loss	2,42	5,74	-	14,10
Receivables from money markets	0,01	-	-	19,20
Financial assets at fair value through other comprehensive income	4,05	5,46	-	15,02
Loans	4,48	6,95	5,15	16,19
Financial assets measured at amortised cost	2,80	5,38	-	13,42
Liabilities (1)				
Bank deposits	0,92	2,14	-	18,92
Other deposits	1,75	3,70	1,55	15,81
Funds from money market	0,02	2,93	-	16,96
Miscellaneous payables	-	-	-	-
Marketable securities issued	1,60	4,90	-	14,82
Funds borrowed from other financial institutions	1,46	3,98	2,64	10,39

(1) Does not include demand/non-interest transactions.

Prior Period	**EURO**	**USD**	**Yen**	**TL**
	%	**%**	**%**	**%**
Assets(1)				
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	-	1,50	-	9,98
Banks	1,92	1,61	-	12,36
Financial assets at fair value through profit/loss	2,59	5,36	-	12,32
Money market placements	-	-	-	14,03
Available-for-sale financial assets	4,02	5,32	-	13,05
Loans	4,33	6,43	4,98	14,15
Held-to-maturity investments	1,67	5,35	-	13,35
Liabilities (1)				
Bank deposits	0,96	1,66	-	13,00
Other deposits	1,59	3,41	1,66	13,42
Funds from money market	0,47	2,85	-	13,01
Miscellaneous payables	-	-	-	-
Marketable securities issued	1,77	4,66	-	14,00
Funds borrowed from other financial institutions	1,51	3,07	2,64	8,16

(1) Does not include demand/non-interest transactions.

5. Explanation on share certificates position risk from banking book:

None.

6. Explanations on consolidated liquidity risk management and liquidity coverage ratio:

Liquidity risk is defined as risk of unexpected loss to be occurred or bank to have difficulties in raising funds while meeting maturing liabilities. Liquidity management is daily monitored before the Bank under Treasury Management, Risk Management and Capital Management. The liquidity policy of the Bank is approved by the Bank's Board of Directors. Treasury Management is responsible for carrying out transactions which are appropriate to Bank's policy, monitoring of liquidity position and submitting necessary reports to executives. Capital management contributes to determine strategies and operating actions for the management of the liquidity position in addition to prepare funding plan and contingency plan of the Bank in cooperation with Treasury Management. Liquidity risk is evaluated with liquidity gap analysis, liquidity stress tests and supplementary precautions/measurements. Liquidity Gap analysis are performed for two different periods as short-term and long-term. Going concern scenario and structural positions are reported monthly. This reporting constitutes the basis of monitoring and management of liquidity position.

The Parent Bank doesn't function as a central funding institution in its relations with its subsidiaries. Intra-group liquidity management and funding strategies are limited with related legal boundaries.

The Parent Bank issues an annual funding plan in order to sustain funding in a consistent and balanced way. Funding plan have to be updated at least annually and approved by the Executive Committee since it is complied with budgeting process and risk appetite frameworks. The primary purpose of the funding plan is to provide a reliable balance between assets and liabilities.

Both short-term liquidity and long-term (structural) liquidity measurement and reporting for all types of currencies are periodically made in the Bank and its subsidiaries. There are limits which are predetermined and approved by the Board of Directors on the basis of all currencies for each period.

The Parent Bank mainly uses derivative transactions as managing liquidity risk and monitors cash inflow and outflow periods in the framework of funding plan balancing the distribution among currencies.

The Parent Bank aims to reduce the risks to the lowest level if required via measuring possible risks in liquidity with stress tests. Stress tests make it possible for the Parent Bank to reinterpret analysis of its liquidity position according to scenarios depending on possible cases and tail risks except for crisis situations. Liquidity Stress Test methodology makes a similar approach with LCR template and hence allows the overview of the results in line with Basel approaches. The Parent Bank applies and reports liquidity stress tests consisting of different scenarios and maturity segments both on solo and consolidated level and the results are compared with limit and trigger levels set, with different frequencies (weekly, monthly etc.) according to the scenarios.

"Liquidity Contingency Plan" is applied if the Bank needs more liquidity than its daily liquidity need because of possible financial events in future. Duties and responsibilities are defined in detail in the aforementioned plan. Both the liquidity policy and liquidity contingency policy are in line with UniCredit group policies and BRSA best practice documents on liquidity risk management. The abovementioned policies and the thresholds (limits etc.) covered within liquidity risk management framework are updated and approved at least annually.

Funding sources of the Group mainly consist of deposits which constitute 53% of total liabilities of the Bank (December 31, 2017 – 56%) and also include repo, secured loans, syndication, securitization, bond/security issuance and other instruments including subordinated debts.

The Parent Bank calculates and reports the Liquidity Coverage Ratio (LCO) in full compliance with the regulations. LKO is a metric measuring the adequacy of unencumbered free liquid assets owned by banks (called high quality liquid assets) to meet expected net cash outflows over the next 30 days. The metric is an important Basel regulation that measures short-term liquidity and is closely monitored in the Parent Bank. In addition to the Bank LKO, the Net Stable Funding Rate (NSFR), which is considered another complementary element and provides another important medium / long-term liquidity risk measurement, has also begun internally. These two metrics are also included within the Risk Appetite Indicators and closely monitored at the Bank.

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

High quality liquid assets mentioned in LCR calculation consist of cash, effective money, Central Bank of the Republic of Turkey ("CBRT") accounts and reserves and debt instruments issued by Treasury of the Republic of Turkey. are treated as high quality liquid assets.

Cash outflows from derivative transactions in liquidity coverage ratio calculation are based on inclusion of net cash flows with maturity of 30 days in the calculation. Additionally, transactions having a margin possibility are included in liquidity coverage ratio calculation by taking the largest amount according to absolute value of net margin flows realized in the last 24 months in respect of 30 days period or for liability into consideration as cash outflow.

Secured funding consists of repo and secured borrowing transactions. A large part of securities which are subjects of aforementioned guaranteed funding transactions consist of Sovereign Bonds issued by Treasury of the Republic of Turkey and transactions are carried out both in CBRT market and interbank market.

The Parent Bank manages all the transactions made before its foreign branches and partnership in the framework of central bank, markets and related legislation of the country in which the institutions are located. Legal lending limits and high limit transactions are closely monitored in this framework.

All cash inflow and outflow items related to liquidity profile of the Bank are included in liquidity coverage ratio tables below.

Simple arithmetic average calculated for the last three months liquidity coverage ratio by using the amounts calculated based on weekly simple arithmetic averages

	Unweighted Amounts		Weighted Amounts	
Current Period	**TL+FC**	**FC**	**TL+FC**	**FC**
High Quality Liquid Assets				
High Quality Liquid Assets			64.933.441	36.841.724
Cash Outflows				
Retail and Small Business Customers Deposits	98.805.604	43.947.182	8.792.027	4.394.684
Stable deposits	21.770.666	686	1.088.533	34
Less stable deposits	77.034.938	43.946.495	7.703.494	4.394.650
Unsecured Funding other than Retail and Small Business Customers Deposits	90.558.330	53.669.077	54.400.428	30.804.682
Operational deposits	-	-	-	-
Non-Operational deposits	67.545.958	43.922.673	34.005.464	21.139.018
Other Unsecured funding	23.012.373	9.746.404	20.394.964	9.665.663
Secured funding			38.084	22.720
Other Cash Outflows	3.517.866	15.419.864	3.517.866	15.419.864
Liquidity needs related to derivatives and market valuation changes on derivatives transactions	3.517.866	15.419.864	3.517.866	15.419.864
Debts related to the structured financial products	-	-	-	-
Commitment related to debts to financial markets and other off balance sheet liabilities	-	-	-	-
Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	121.056.761	91.790.325	6.052.838	4.589.516
Other irrevocable or conditionally revocable commitments	81.011.283	17.875.590	5.970.615	1.157.377
Total Cash Outflows			**78.771.858**	**56.388.843**
Cash Inflows				
Secured Lending Transactions	-	-	-	-
Unsecured Lending Transactions	29.370.994	11.638.780	19.989.379	9.369.245
Other contractual cash inflows	2.296.695	25.364.652	2.296.695	25.364.652
Total Cash Inflows	**31.667.689**	**37.003.433**	**22.286.074**	**34.733.898**
			Capped Amounts	
Total High Quality Liquid Assets			**64.933.441**	**36.841.724**
Total Net Cash Outflows			**56.485.785**	**21.654.945**
Liquidity Coverage Ratio (%)			**114,96**	**170,13**

The dates and values of minimum and maximum foreign currency and total liquidity coverage ratios calculated weekly related to the last three months are explained in the table below.

Current Period	**Minimum FC (%)**	**Minimum TL+FC (%)**	**Maximum FC (%)**	**Maximum TL+FC (%)**
Week	May 11, 2018	May 4, 2018	April 13, 2018	April 13, 2018
Ratio(%)	127,29	106,16	172,95	123,90

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

	Unweighted Amounts		Weighted Amounts	
Previous Period	**TL+FC**	**FC**	**TL+FC**	**FC**
High Quality Liquid Assets				
High Quality Liquid Assets			53.021.956	33.801.377
Cash Outflows				
Retail and Small Business Customers Deposits	89.425.852	38.790.605	7.996.187	3.879.021
Stable deposits	20.127.975	770	1.066.399	38
Less stable deposits	69.297.877	38.789.835	6.929.788	3.878.983
Unsecured Funding other than Retail and Small Business Customers Deposits	73.090.818	39.353.588	42.257.373	20.681.500
Operational deposits	-	-	-	-
Non-Operational deposits	54.744.574	34.700.478	26.379.618	16.041.016
Other Unsecured funding	18.346.244	4.653.110	15.877.755	4.640.484
Secured funding			99.619	75.988
Other Cash Outflows	2.738.736	16.955.309	2.738.736	16.955.309
Liquidity needs related to derivatives and market valuation changes on derivatives transactions	2.738.736	16.955.309	2.738.736	16.955.309
Debts related to the structured financial products	-	-	-	-
Commitment related to debts to financial markets and other off balance sheet liabilities	-	-	-	-
Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	101.640.533	74.133.944	5.082.027	3.706.697
Other irrevocable or conditionally revocable commitments	68.214.017	9.586.970	5.056.909	650.347
Total Cash Outflows			**63.230.851**	**45.948.862**
Cash Inflows				
Secured Lending Transactions	-	-	-	-
Unsecured Lending Transactions	27.919.538	10.698.139	19.026.494	8.885.738
Other Contractual Cash Inflows	1.465.832	23.273.539	1.465.832	23.273.539
Total Cash Inflows	**29.385.370**	**33.971.678**	**20.492.326**	**32.159.277**
			Capped Amounts	
Total High Quality Liquid Assets			**53.021.956**	**33.801.377**
Total Net Cash Outflows			**42.678.526**	**13.789.585**
Liquidity Coverage Ratio (%)			**124,24**	**245,12**

The dates and values of minimum and maximum foreign currency and total liquidity coverage ratios calculated weekly related to the last three months of the Parent Bank are explained in the table below.

	Minimum FC (%)	**Minimum TL+FC (%)**	**Maximum FC (%)**	**Maximum TL+FC (%)**
Week	October 6, 2017	October 13, 2017	November 24, 2017	November 24, 2017
Ratio(%)	132,30	112,17	296,53	133,98

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

Breakdown of assets and liabilities according to their remaining maturities:

Current Period	Demand	Up to 1 Month	1-3 months	3-12 months	1-5 years	5 years and over	Unclassified (1)(2)	Total
Assets								
Cash (cash in vault, effectives, cash in transit, cheques purchased) and Balances with the Central Bank of the Republic of Turkey	12.454.408	34.124.599	-	-	-	-	-	46.579.007
Banks	2.517.621	4.708.787	1.347.757	1.170.962	49.477	-	-	9.794.604
Financial assets at fair value through profit or loss	49.338	3.028	964	5.993	14.368	38.248	173.893	285.832
Receivables from money markets	-	2.338.586	10.618	-	-	-	-	2.349.204
Financial assets at fair value through other comprehensive income	-	400.559	164.295	1.544.252	15.177.598	7.251.433	65.809	24.603.946
Loans(1)	90.874	33.651.851	22.326.695	61.775.493	98.085.905	22.024.044	(1.593.197)	236.361.665
Financial assets measured at amortised cost	-	164.071	5.931	953.802	5.021.958	14.168.783	-	20.314.545
Other assets	3.554.749	1.025.492	1.394.889	3.100.287	4.646.325	840.019	10.215.590	24.777.351
Total assets	**18.666.990**	**76.416.973**	**25.251.149**	**68.550.789**	**122.995.631**	**44.322.527**	**8.862.095**	**365.066.154**
Liabilities								
Bank deposits	931.627	10.109.919	938.166	785.965	-	-	-	12.765.677
Other deposits	35.707.387	106.708.882	26.930.460	8.294.300	2.238.179	179.828	-	180.059.036
Funds borrowed from other financial institutions	-	6.250.456	2.698.554	23.771.041	12.601.955	3.037.725	-	48.359.731
Funds from money market	-	15.344.962	784.817	748.813	-	-	-	16.878.592
Marketable securities issued	-	1.253.076	2.603.414	2.869.444	14.162.195	2.562.418	-	23.450.547
Miscellaneous payables	1.066.040	13.087.622	175.560	116.754	-	-	106.840	14.552.816
Other liabilities(2)	2.130.228	911.926	1.755.037	2.266.214	12.496.022	9.046.112	40.394.216	68.999.755
Total liabilities	**39.835.282**	**153.666.843**	**35.886.008**	**38.852.531**	**41.498.351**	**14.826.083**	**40.501.056**	**365.066.154**
Net liquidity gap	**(21.168.292)**	**(77.249.870)**	**(10.634.859)**	**29.698.258**	**81.497.280**	**29.496.444**	**(31.638.961)**	**-**
Net Off-Balance Sheet Position	**-**	**(144.404)**	**(180.922)**	**616.406**	**(129.903)**	**566.168**	**-**	**727.345**
Derivative Financial Assets	-	51.971.818	32.169.720	38.858.715	69.157.606	30.249.517	-	222.407.376
Derivative Financial Liabilities	-	52.116.222	32.350.642	38.242.309	69.287.509	29.683.349	-	221.680.031
Non-Cash Loans	**-**	**2.264.193**	**10.117.401**	**33.521.327**	**15.299.616**	**5.960.376**	**25.088.342**	**92.251.255**

Prior Period	Demand	Up to 1 Month	1-3 months	3-12 months	1-5 years	5 years and over	Unclassified (1)(2)	Total
Total assets	17.962.578	68.336.143	25.920.067	57.867.451	100.157.626	39.717.971	10.104.282	320.066.118
Total liabilities	34.885.551	138.433.810	31.060.939	35.430.384	30.562.707	14.659.896	35.032.831	320.066.118
Liquidity gap	**(16.922.973)**	**(70.097.667)**	**(5.140.872)**	**22.437.067**	**69.594.919**	**25.058.075**	**(24.928.549)**	**-**
Net Off-Balance Sheet Position	**-**	**(39.758)**	**(695.253)**	**(757.568)**	**238.808**	**(232.266)**	**-**	**(1.486.037)**
Derivative Financial Assets	-	55.513.608	40.938.729	39.537.030	52.729.207	22.461.674	-	211.180.248
Derivative Financial Liabilities	-	55.553.366	41.633.982	40.294.598	52.490.399	22.693.940	-	212.666.285
Non-Cash Loans	**-**	**2.723.038**	**8.573.550**	**28.219.034**	**11.357.744**	**4.504.619**	**23.473.430**	**78.851.415**

(1) Non-performing loans are presented in the "Unclassified" column after being offset against expected loss provisions.
(2) Shareholders' equity is presented in the "Unclassified" column.

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

7. Explanations on consolidated leverage ratio:

The main reason for the increase in leverage ratio for the current period is the increase in Tier 1 capital.

The summary information for the comparison of total assets in consolidated financials prepared in accordance with TAS and total exposures:

		Current Period[2]	Prior Period[2]
1	Total assets in the consolidated financial statements prepared in accordance with TAS[1],[2]	346.640.089	309.328.383
2	Differences between the total assets in the consolidated financial statements prepared in accordance with TAS and the total assets in the consolidated financial statements prepared in accordance with Communique on Preparation of Consolidated Financial Statements of the Banks	2.124.009	2.100.914
3	Differences between the balances of derivative financial instruments and the credit derivatives in the consolidated financial statements prepared in accordance with the Communique on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	4.743.567	3.950.590
4	Differences between the balances of securities financing transactions in the consolidated financial statements prepared in accordance with the Communique on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	(7.969.213)	(6.787.912)
5	Differences between off- balance sheet items in the consolidated financial statements prepared in accordance with the Communique on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	(42.437.734)	(27.545.631)
6	Other differences in the consolidated financial statements prepared in accordance with the Communique on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	(3.167.864)	(2.164.440)
7	Total Risks	546.796.844	521.671.690

(1) The consolidated financial statements prepared in accordance with the sixth paragraph of the Article 5 in the Communique on Preparation of Consolidated Financial Statements of the Banks.
(2) The arithmetic average of the last 3 months in the related periods.

		Current Period[1]	Prior Period[1]
	On-Balance sheet exposures		
1	On-Balance sheet assets (Excluding derivative financial instruments and credit derivatives, including collaterals)	339.797.397	304.383.598
2	(Asset amounts deducted in determining Tier 1 capital)	(4.562.396)	(3.890.154)
3	Total on-Balance sheet exposures	**335.235.001**	**300.493.444**
	Derivative financial instruments and credit derivatives		
4	Replacement cost of derivative financial instruments and credit derivatives	3.339.624	2.392.792
5	Potential credit risk of derivative financial instruments and credit derivatives	4.743.567	3.950.590
6	Total derivative financial instruments and credit derivatives exposure	**8.083.191**	**6.343.382**
	Securities financing transaction exposure		
7	Total risk of gross securities financing transactions (excluding on-balance sheet exposure)	75.400	211.588
8	Agent transaction exposures	-	-
9	Total securities financing transaction exposures	**75.400**	**211.588**
	Off-balance sheet items		
10	Off-balance sheet exposure at gross notional amount	245.840.986	242.168.907
11	(Adjustments for conversion to credit equivalent amounts)	(42.437.734)	(27.545.631)
12	Total risk of off-balance sheet items	**203.403.252**	**214.623.276**
	Capital and total exposure		
13	Tier 1 capital	29.769.155	26.481.586
14	Total exposures	546.796.844	521.671.690
15	**Leverage ratio (%)**	**5,44**	**5,08**

(1) The arithmetic average of the last 3 months in the related periods.

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

8. Explanations on hedge accounting:

The Group applies the following hedge accounting models as of June 30, 2018:
- Fair value Hedge ("FVH")
- Cash Flow Hedge ("CFH")

If the fair value of the hedging instrument within fair value hedge ("FVH") is positive it is clasified under, "Derivative financial assets at fair value through profit or loss"; if the fair value is negative, it is clasified under "Derivative financial liabilities at fair value through profit or loss".

If the fair value of the hedging instrument under hedge of cash flow hedge ("CFH") is positive, it is clasified under " Derivative financial assets at fair value through other comprehensive income " if the fair value is negative, it is clasified under "Derivative financial liabilities at fair value through other comprehensive income ".

Cross currency interest rate swaps are used as hedging instrument in FVH. Interest rate swaps and cross currency swaps are used as hedging instrument in CFH. Contractual amounts and the fair values as at June 30, 2018 of these hedging instruments are presented in the table below:

			Current Period			**Prior Period**
	Notional(1)	**Asset**	**Liability**	**Notional(1)**	**Asset**	**Liability**
Hedging instrument						
Interest rate swap / cross currency swap (CFH)	43.966.012	3.939.555	178.766	35.070.052	1.688.395	107.567
Cross currency interest rate swap (FVH)	1.957.004	84.878	271.825	1.615.006	68.216	205.211
Total	**45.923.016**	**4.024.433**	**450.591**	**36.685.058**	**1.756.611**	**312.778**

(1) Only the "sell" legs of the related derivatives are presented with the addition of the "buy" legs of these derivatives amounting to TL 46.369.806 (December 31, 2017 - TL 37.197.244) the total notional of derivative financial assets amounting to TL 92.292.822 (December 31, 2017 - TL 73.882.302) is accounted for in off-balance sheet under "Hedging Derivative Financial Instruments" line item.

The fair valuation methodology of the derivatives presented in the above table is disclosed in detail in the accounting principles section of these financial statements in Section 3. Part 4.

8.1. Fair value hedge accounting:

Starting from March 1, 2009, the Parent Bank has hedged the possible fair value effects of changes in market interest rates on some of its fixed interest loan portfolios and fair value effects of changes in foreign exchange rates on part of its foreign currency funds by using cross-currency interest rate swaps.
Starting from July 28, 2015, the Parent Bank has hedged the possible fair value effects of changes in market interest rates and foreign exchange rates on marketable securities by using cross-currency interest rate swaps.
The Bank selected to apply macro FVH accounting for such relationship in accordance with "TAS 39- Financial Instruments: Recognition and Measurement".

The impact of application of FVH accounting is summarized below;

Current Period						
Type of hedging instrument	**Hedged item (asset and liability)**	**Nature of hedged risks**	**Fair value difference / adjustment of the hedged item(1)**	**Net fair value of the hedging instrument(2)**		**Net gain/(loss) recognised in the income statement (Derivative financial transactions gains/losses)(3)**
				Asset	**Liability**	
Cross currency interest rate swaps	Some of fixed interest loan portfolios, foreign currency funds and marketable securities	Fixed interest and changes in foreign exchange rate risk	46.072	-	271.825	22.647

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

Prior Period						
Type of hedging instrument	**Hedged item (asset and liability)**	**Nature of hedged risks**	**Fair value difference / adjustment of the hedged item(1)**	**Net fair value of the hedging instrument(2)**		**Net gain/(loss) recognised in the income statement (Derivative financial transactions gains/losses)(3)**
				Asset	**Liability**	
Cross currency interest rate swaps	Some of fixed interest loan portfolios, foreign currency funds and marketable securities	Fixed interest and changes in foreign exchange rate risk	23.425	-	204.859	19.091

(1) The amount refers to the fair value of the hedged item calculated for some of fixed interest loan portfolios in accordance with hedge accounting effectiveness tests. The foreign exchange rate changes of foreign currency fundings and cross-currency swaps are reflected to the income statement in foreign exchange gains / losses line item.
(2) The amounts include the foreign exchange differences and net straight line interest accruals of the related derivatives.
(3) The ineffective portion of the mentioned hedging transaction is TL 5.880 loss (December 31 2017- TL 1.439 loss).

At the inception date, the Parent Bank documents the relationship between the hedging instruments and hedged items required by the FVH accounting application in accordance with "TAS 39- Financial Instruments: Recognition and Measurement" and its own risk management policies and principles. Every individual relationship is approved and documented in the same methodology. In accordance with "TAS 39- Financial Instruments: Recognition and Measurement", the effectiveness tests of the relationships are performed in accordance with the Bank's risk management policies. In the effectiveness tests, the fair values of the hedged item are calculated using the same assumptions used in calculation of fair values of the derivatives.

The effectiveness tests are performed prospectively and retrospectively on a monthly basis and the effectiveness of risk relationships are measured. At the inception date the effectiveness tests are performed prospectively. If the underlying hedge does not conform to the FVH accounting requirements (out of the 80% - 125% effectiveness range) or if the management voluntarily decides to discontinue the hedging relation, the adjustments made to the carrying value (amortized cost) of the hedged item are amortized with the straight line method and recognized in the profit and loss accounts within the remaining maturity. In addition if the hedging instrument is sold or closed before its maturity, the amount of the fair value adjustments of the hedged items are amortized to profit and loss accounts with the straight line method within the remaining maturity.

8.2. Cash flow hedge accounting:

The Parent Bank started to apply macro cash flow hedge accounting from January 1, 2010 onwards in order to hedge its cash flow risk from floating interest rate liabilities. The hedging instruments are USD, EUR and TL interest rate swaps and cross currency swaps with floating receive, fixed pay legs, and the hedged item is the cash outflows due to financing of interests of repricing USD, EUR and TL deposits, borrowings and repos.

The impact of application of CFH accounting is summarized below:

Current Period						
Type of hedging instrument	**Hedged item (asset and liability)**	**Nature of hedged risks**	**Net fair value of the hedging instrument**		**Net gain/(loss) recognized in hedging funds(1)**	**Net gain/(loss) reclassified to equity(2)(3)**
			Asset	**Liability**		
Interest rate swaps/ Cross currency interest rate swap	Customer deposits and repos	Cash flow risk due to the changes in the interest rates	3.939.555	178.766	2.326.078	1.489.387

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

Prior Period						
Type of hedging instrument	**Hedged item (asset and liability)**	**Nature of hedged risks**	**Net fair value of the hedging instrument**		**Net gain/(loss) recognized in hedging funds[1]**	**Net gain/(loss) reclassified to equity[2][3]**
			Asset	**Liability**		
Interest rate swaps/ Cross currency interest rate swap	Customer deposits and repos	Cash flow risk due to the changes in the interest rates	1.688.395	107.567	836.691	457.541

(1) Includes deferred tax impact.
(2) Includes tax and foreign exchange differences.
(3) The ineffective portion of the mentioned hedging transaction is TL 13.252 income (December 31, 2017 – TL – 6.987 income).

At the inception date, the Parent Bank documents the relationship between the hedging instruments and hedged items required by the CFH accounting application in accordance with "TAS 39- Financial Instruments: Recognition and Measurement" and its own risk management policies and principles. Every individual relationship is approved and documented in the same way. In accordance with "TAS 39- Financial Instruments: Recognition and Measurement", the effectiveness tests of the relationships are performed in accordance with the Bank's risk management policies.

The effectiveness tests are performed on a monthly basis and the effectiveness of risk relationships are measured. If the underlying hedge does not conform to the CFH accounting requirements (out of the 80%-125% effectiveness range) or if the management voluntarily decides to discontinue the hedging relation or the hedging instrument is sold or closed before its maturity, the cumulative gain or loss on the hedging instrument that has been recognised in other comprehensive income from the period when the hedge was effective shall remain separately in equity until the forecast transaction occurs or is no longer expected to occur. When the hedged forecasted transactions are no longer expected to occur, the net cumulative gain or loss is reclassified from other comprehensive income to profit and loss.

8.3. Hedge From Foreign Net Investment Risk:

The Group hedges part of the currency translation risk of net investments in foreign operations through foreign currency borrowings. The Group's Euro denominated borrowing is designated as a hedge of the net investment in the Group's certain EUR denominated subsidiaries. The total amount of the borrowing designated as a hedge of the net investment at June 30, 2018 is EUR 417 million (December 31, 2017 - EUR 410 million).

9. Explanations on the activities carried out on behalf of others and fiduciary transactions:

The Group carries out trading, custody, management and consulting services on behalf of customers and on their account. The Group has no fiduciary transactions.

10. Explanations on consolidated operating segments:

The Group carries out its banking operations through two main business units:

- Retail Banking
- Corporate and Commercial Banking.

The Parent Bank's Retail Banking activities include card payment systems, SME (small medium size enterprises) banking and individual banking and Private Banking. Retail Banking products and services offered to customers include card payment systems, consumer loans (including general purpose loans, auto loans, mortgages), commercial installment loans, SME loans, time and demand deposits, gold banking, investment accounts, life and non-life insurance products and payroll services. Card payment systems cover the management of products, services, campaigns for member merchants as well as the sales and activities for a variety of customer types. Crystal, Play, Adios and Taksitçi are the other card brands providing services for the different segments within the World brand, shopping and marketing platform of the Bank. The Bank also offers debit card and a prepaid card named World Hediye Card. Through its Private Banking activities, the Bank serves high net worth customers and delivers investment products to this customer segment. Among the products and services offered to Private Banking customers are time deposit products, capital guaranteed funds, mutual funds, Type A Type B funds, derivative products such as forwards, futures and options in domestic futures exchange (VOB) and international markets, personal loans, foreign exchange, gold and equity trading, pension plans, insurance products and 7/24 safe deposit boxes and e-banking services. Also, personal art advisory, inheritance advisory, real estate advisory, tax advisory and philanthropic advisory are offered within the Private Banking and Wealth Management activities.

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

Corporate and Commercial Banking segment is organized into three subgroups: Corporate Banking for large-scale companies, Commercial Banking for medium-sized enterprises and Multinational Companies Banking for multinational companies. Corporate and Commercial Banking, has a product range of working capital finance, trade finance, project finance, domestic and international non-cash loans such as letters of credit and letters of guarantee, cash management and internet banking.

The Group's widespread branch network and alternative distribution channels including ATMs, telephone banking, internet banking and mobile banking are utilized to serve customers in all segments. Foreign operations include the Group's banking transactions in the Netherlands, Azerbaijan, Russia and Malta. Treasury, Asset – Liability Management and other operations, mainly consist of treasury managemet's results, operations of supporting business units and other unallocated transactions.

The below table is prepared in accordance with the Management Information System (MIS) data of the Bank.

Major balance sheet and income statement items based on operating segments:

Current Period	**Retail banking**	**Corporate and commercial banking**	**Other foreign operations**	**Other domestic operations**	**Treasury, Asset-Liability Management and Other**	**Consolidation adjustments [1]**	**Total operations of the Group**
Operating revenue continuing	2.933.560	2.119.671	173.746	436.778	2.836.675	(4.672)	8.495.758
Operating expenses continuing	(2.420.174)	(1.396.942)	(63.482)	(135.577)	(1.376.720)	4.595	(5.388.300)
Net operating income continuing	**513.386**	**722.729**	**110.264**	**301.201**	**1.459.955**	**(77)**	**3.107.458**
Dividend income [2]	-	-	-	-	12.034	-	12.034
Income/Loss from Investments accounted based on equity method[2]	-	-	-	-	53.015	-	53.015
Profit before tax	**513.386**	**722.729**	**110.264**	**301.201**	**1.525.004**	**(77)**	**3.172.507**
Tax expense[2]	-	-	-	-	(701.216)	-	(701.216)
Net period income from continuing operations	**513.386**	**722.729**	**110.264**	**301.201**	**823.788**	**(77)**	**2.471.291**
Minority interest (-)	-	-	-	-	(59)	-	(59)
Group income/loss	**513.386**	**722.729**	**110.264**	**301.201**	**823.729**	**(77)**	**2.471.232**
Segment assets	85.394.343	122.070.176	13.196.868	21.478.061	124.921.064	(2.911.067)	364.149.445
Investments in associates, subsidiaries and joint ventures	-	-		-	916.709	-	916.709
Total assets	**85.394.343**	**122.070.176**	**13.196.868**	**21.478.061**	**125.837.773**	**(2.911.067)**	**365.066.154**
Segment liabilities	151.252.992	76.683.284	10.750.875	18.868.344	72.615.815	(2.910.394)	327.260.916
Shareholders' equity	-	-	-	-	37.805.238	-	37.805.238
Total liabilities	**151.252.992**	**76.683.284**	**10.750.875**	**18.868.344**	**110.421.053**	**(2.910.394)**	**365.066.154**

Prior Period [3]	**Retail banking**	**Corporate and commercial banking**	**Other foreign operations**	**Other domestic operations**	**Treasury, Asset-Liability Management and Other**	**Consolidation adjustments [1]**	**Total operations of the Group**
Operating revenue continuing	2.452.547	1.639.299	159.493	335.112	2.252.122	(4.032)	6.834.541
Operating expenses continuing	(2.303.768)	(469.350)	(68.854)	(131.170)	(1.536.817)	4.032	(4.505.927)
Net operating income continuing	**148.779**	**1.169.949**	**90.639**	**203.942**	**715.305**	**-**	**2.328.614**
Dividend income [2]	-	-	-	-	10.278	-	10.278
Income/Loss from Investments accounted based on equity method[2]	-	-	-	-	47.094	-	47.094
Profit before tax	**148.779**	**1.169.949**	**90.639**	**203.942**	**772.677**	**-**	**2.385.986**
Tax expense [2]	-	-	-	-	(492.754)	-	(492.754)
Net period income from continuing operations	**148.779**	**1.169.949**	**90.639**	**203.942**	**279.923**	**-**	**1.893.232**
Minority interest (-)	-	-	-	-	(34)	-	(34)
Group income/loss	**148.779**	**1.169.949**	**90.639**	**203.942**	**279.889**	**-**	**1.893.198**
Segment assets	80.176.176	102.108.817	10.313.957	20.087.720	110.165.690	(3.588.456)	319.263.904
Investments in associates, subsidiaries and joint ventures	-	-	-	-	802.214	-	802.214
Total assets	**80.176.176**	**102.108.817**	**10.313.957**	**20.087.720**	**110.967.904**	**(3.588.456)**	**320.066.118**
Segment liabilities	104.782.107	61.810.968	8.274.543	17.565.319	101.119.318	(3.587.963)	289.964.292
Shareholders' equity	-	-	-	-	30.101.826	-	30.101.826
Total liabilities	**104.782.107**	**61.810.968**	**8.274.543**	**17.565.319**	**131.221.144**	**(3.587.963)**	**320.066.118**

(1) Consolidation adjustments include transactions with subsidiaries and investments consolidated in these financial statements.
(2) Related items expenses have not been distributed based on operating segments and have been presented under "Treasury, Asset-Liability Management and Other".
(3) Income statements items presents the balances as of June 30, 2017.

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

Section five - Explanations and notes related to consolidated financial statements

1. Explanations and notes related to consolidated assets:

1.1. Information related to cash and the account of the Central Bank:

1.1.1 Information on cash and the account of the Central Bank of the Republic of Turkey ("the CBRT"):

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Cash	1.332.312	1.146.620	1.563.328	998.685
The CBRT[(1)]	9.764.429	33.803.487	6.032.373	33.445.287
Other	-	532.159	-	412.297
Total	**11.096.741**	**35.482.266**	**7.595.701**	**34.856.269**

(1) The balance of gold amounting to TL 5.097.307 is accounted for under the Central Bank foreign currency account (December 31, 2017 – TL 4.948.751).

1.1.2 Information on the account of the CBRT:

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Demand unrestricted amount [(1)]	2.944.830	6.529.477	1.914.852	8.868.143
Time unrestricted amount	6.819.599	-	4.117.521	-
Time restricted amount	-	876.018	-	745.058
Reserve requirement[(2)]	-	26.397.992	-	23.832.086
Total	**9.764.429**	**33.803.487**	**6.032.373**	**33.445.287**

(1) The TL reserve requirement has been classified in "Central Bank Demand Unrestricted Account" based on the correspondence with BRSA letter as of January 3, 2008.
(2) The Group keeps TL, USD, EUR and Gold reserve deposits for its TL and FX liabilities at Central Bank accounts in accordance with the legislation of the Central Bank numbered 2005/1, "Decree on Reserve Deposits".

1.2. Information on financial assets at fair value through profit and loss:

The Group does not have financial assets at fair value through profit and loss subject to repo transactions and there is no financial assets at fair value through profit and loss given as collateral/blocked (December 31, 2017 - None).

1.3. Information on derivative financial assets:

1.3.1 Positive differences related to derivative financial assets held for trading:

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Forward transactions	850.968	58	398.063	474
Swap transactions	4.272.650	678.514	3.073.713	459.241
Futures transactions	-	-	-	-
Options	359.825	76.002	137.137	58.049
Other	-	245	813	27
Total	**5.483.443**	**754.819**	**3.609.726**	**517.791**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

1.3.2 Positive differences related to derivative financial assets held for hedging:

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair value hedges [1]	-	84.878	67.028	1.188
Cash flow hedges [1]	3.549.899	389.656	1.520.914	167.481
Hedges for investments made in foreign countries	-	-	-	-
Total	**3.549.899**	**474.534**	**1.587.942**	**168.669**

(1) Explained in Note 8 of section 4.

1.4. Information on banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic	1.271.577	3.122.677	68.359	1.834.979
Foreign[1]	17	5.400.333	13.524	2.920.350
Head quarters and branches abroad	-	-	-	-
Total	**1.271.594**	**8.523.010**	**81.883**	**4.755.329**

(1) The balance of foreign currency account in foreign banks includes the balance of gold amounting to TL 14.794 (December 31, 2017 –TL 11.102).

1.5. Information on financial assets at fair value through other comprehensive income which are subject to repurchase agreements and given as collateral / blocked:

As of June 30, 2018 financial assets at fair value through other comprehensive income given as collateral/blocked amount to TL 2.640.165 and subject to repo transactions amounts to TL 10.545.335

Information on available-for-sale financial assets which are subject to repurchase agreements and given as collateral / blocked:

As of December 31, 2017 available-for-sale financial assets given as collateral/blocked amount to TL 4.502.947 and subject to repo transactions amounts to TL 6.937.612.

1.6. Information on financial assets at fair value through other comprehensive income:

	Current Period
Debt securities	25.612.702
Quoted on stock exchange [1]	25.384.666
Not quoted	228.036
Share certificates	111.247
Quoted on stock exchange	188
Not quoted	111.059
Impairment provision (-)[2]	1.120.003
Total	**24.603.946**

(1) As of January 1, 2018, the Group has changed its business model for some government debt securities with the adoption of TFRS 9. As a result government bonds with an amount of TL 1.998.350 has been clasified from financial assets at fair value through other comprehensive income to financial assets measured at amortised cost.
(2) Includes the negative differences between the acquisition cost and the market price, related to the securities portfolio.

Information on available-for-sale financial assets:

	Current Period
Debt securities	24.476.615
Quoted on stock exchange	24.029.378
Not quoted	447.237
Share certificates	203.244
Quoted on stock exchange	133
Not quoted	203.111
Impairment provision (-)[1]	278.059
Other[2]	94.724
Total	**24.496.524**

(1) Includes the negative differences between the acquisition cost and the market price and the impairment provisions, if any, related to the securities portfolio.
(2) Other available-for-sale financial assets consist of investment funds.

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

1.7. Explanations on loans:

1.7.1 Information on all types of loans or advance balances given to shareholders and employees of the Group:

	Current Period		Prior Period	
	Cash	**Non-cash**	**Cash**	**Non-cash**
Direct loans granted to shareholders	-	-	-	-
Corporate shareholders	-	-	-	-
Real person shareholders	-	-	-	-
Indirect loans granted to shareholders	**61.776**	**1.378.681**	**23.229**	**1.358.830**
Loans granted to employees	**162.037**	**512**	**157.969**	**569**
Total	**223.813**	**1.379.193**	**181.198**	**1.359.399**

1.7.2 Information on the first and second group loans and other receivables and loans and other receivables that have been restructured or rescheduled:

Cash Loans	**Standard loans**	**Loans under close monitoring**		
		Not under the scope of restructuring	**Loans under restructuring**	
			Modifications on agreement conditions	**Refinancing**
Non-specialized loans	**211.998.394**	**4.876.892**	**1.761.271**	**3.539.065**
Loans given to enterprises	105.068.851	2.536.381	1.272.397	1.654.702
Export loans	17.983.334	115.158	33.082	107.028
Import loans	-	-	-	-
Loans given to financial sector	3.776.366	-	-	-
Consumer loans	34.083.367	868.966	20.444	446.823
Credit cards	24.642.795	659.853	340.065	-
Other(1)	26.443.681	696.534	95.283	1.330.512
Specialized loans	-	-	-	-
Other receivables	**15.145.666**	**633.574**	-	-
Total	**227.144.060**	**5.510.466**	**1.761.271**	**3.539.065**

(1) Fair value differences of the hedged items amounting to TL 32.046 are classified in other loans as explained in Note 8, Section 4.

	Standard loans	**Loans under close monitoring**
12-month provisions for possible losses	2.032.990	-
Significant increase in credit risk	-	1.194.249
Total	**2.032.990**	**1.194.249**

Number of modifications made to extend payment plan	**Standard loans and other receivables**	**Loans and other receivables under close monitoring**
Extended by 1 or 2 times	-	5.120.917
Extended by 3,4 or 5 times	-	161.033
Extended by more than 5 times	-	18.386
Total	**-**	**5.300.336**

Number of modifications made to extend payment plan	**Standard loans and other receivables**	**Loans and other receivables under close monitoring**
0 - 6 Months	-	327.831
6 - 12 Months	-	243.646
1 - 2 Years	-	1.039.846
2 - 5 Years	-	2.924.592
5 Years and over	-	764.421
Total	**-**	**5.300.336**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

1.7.3. Information on consumer loans, individual credit cards, personnel loans and personnel credit cards:

	Short- term	Medium and long-term	Total
Consumer loans-TL	**366.284**	**33.258.998**	**33.625.282**
Real estate loans	7.971	13.688.294	13.696.265
Automotive loans	13.380	520.010	533.390
Consumer loans	344.933	19.050.694	19.395.627
Other	-	-	-
Consumer loans-FC indexed	**-**	**21.387**	**21.387**
Real estate loans	-	21.096	21.096
Automotive loans	-	-	-
Consumer loans	-	291	291
Other	-	-	-
Consumer loans-FC	**26.021**	**53.414**	**79.435**
Real estate loans	2.227	16.437	18.664
Automotive loans	35	985	1.020
Consumer loans	7.260	27.697	34.957
Other	16.499	8.295	24.794
Individual credit cards-TL	**16.881.421**	**726.823**	**17.608.244**
With installments	8.757.270	445.984	9.203.254
Without installments	8.124.151	280.839	8.404.990
Individual credit cards-FC	**47.460**	**33.757**	**81.217**
With installments	30.812	33.757	64.569
Without installments	16.648	-	16.648
Personnel loans-TL	**4.698**	**58.684**	**63.382**
Real estate loans	-	2.282	2.282
Automotive loans	30	343	373
Consumer loans	4.668	56.059	60.727
Other	-	-	-
Personnel loans-FC indexed	-	-	-
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Personnel loans-FC	**164**	**529**	**693**
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	164	529	693
Other	-	-	-
Personnel credit cards-TL	**94.881**	**380**	**95.261**
With installments	46.406	380	46.786
Without installments	48.475	-	48.475
Personnel credit cards-FC	**611**	**279**	**890**
With installments	274	279	553
Without installments	337	-	337
Credit deposit account-TL (Real Person)[(1)]	**1.629.414**	**-**	**1.629.414**
Credit deposit account-FC (Real Person)	**7**	**-**	**7**
Total	**19.050.961**	**34.154.251**	**53.205.212**

(1) TL 1.811 of the credit deposit account belongs to the loans used by personnel.

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

1.7.4. Information on commercial installment loans and corporate credit cards:

	Short- term	Medium and long-term	Total
Commercial installments loans-TL	**1.281.840**	**16.610.521**	**17.892.361**
Business loans	3.571	1.629.010	1.632.581
Automotive loans	61.340	1.080.670	1.142.010
Consumer loans	1.216.929	13.900.841	15.117.770
Other	-	-	-
Commercial installments loans-FC indexed	**11.054**	**207.495**	**218.549**
Business loans	-	13.682	13.682
Automotive loans	-	47.528	47.528
Consumer loans	11.054	146.285	157.339
Other	-	-	-
Corporate credit cards-TL	**7.852.696**	**3.222**	**7.855.918**
With installment	5.023.823	704	5.024.527
Without installment	2.828.873	2.518	2.831.391
Corporate credit cards-FC	**1.183**	**-**	**1.183**
With installment	-	-	-
Without installment	1.183	-	1.183
Credit deposit account-TL (legal person)	**1.003.271**	**-**	**1.003.271**
Credit deposit account-FC (legal person)	**-**	**-**	**-**
Total	**10.150.044**	**16.821.238**	**26.971.282**

1.7.5. Distribution of domestic and foreign loans:

Distribution has been disclosed based on the location where the customers operate:

	Current Period
Domestic loans	219.808.050
Foreign loans	18.146.812
Total	**237.954.862**

	Prior Period
Domestic loans	196.689.796
Foreign loans	3.184.271
Total	**199.874.067**

1.7.6. Loans granted to associates and subsidiaries:

	Current Period	Prior Period
Direct loans granted to associates and subsidiaries	1.759	8.523
Indirect loans granted to associates and subsidiaries	-	-
Total	**1.759**	**8.523**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

1.7.7. Information on credit-impaired (Stage 3):

	Current Period
Loans with limited collectability	875.296
Loans with doubtful collectability	823.300
Uncollectible loans	6.003.252
Total	**7.701.848**

Specific provisions provided against loans:

	Prior Period
Loans and other receivables with limited collectability	120.985
Loans and other receivables with doubtful collectability	560.094
Uncollectible loans and other receivables	6.357.785
Total	**7.038.864**

1.7.8. Information on non-performing loans (net):

1.7.8.1 Information on non-performing loans restructured or rescheduled, and other receivables:

	III. Group	IV. Group	V. Group
	Loans with limited collectibility	Loans with doubtful collectibility	Uncollectible loans
Current Period			
(Gross amounts before specific reserves)	**287.471**	**267.698**	**747.260**
Restructured loans	287.471	267.698	747.260
Prior Period			
(Gross amounts before specific reserves)	**10.849**	**55.493**	**150.698**
Restructured loans	10.849	55.493	150.698

1.7.8.2. Information on the movement of total non-performing loans:

	III. Group	IV. Group	V. Group
	Loans with limited collectability	Loans with doubtful collectability	Uncollectible loans
Prior Period[1]	**1.005.936**	**1.557.121**	**7.069.127**
Additions (+)	1.864.971	105.990	485.972
Transfers from other categories of non-performing loans (+)	-	1.321.585	1.321.425
Transfer to other categories of non-performing loans (-)	1.321.585	1.321.425	-
Collections (-)	160.844	350.072	618.445
FX valuation differences	244	186	24.617
Write-offs (-)	-	-	887
Sold (-)	-	-	1.648.026
Corporate and commercial loans	-	-	499.171
Consumer loans	-	-	668.152
Credit cards	-	-	480.653
Other	-	-	50
Current Period	**1.388.722**	**1.313.385**	**6.633.783**
Specific provision (-)	875.296	823.300	6.003.252
Net balance on balance sheet	**513.426**	**490.085**	**630.531**

(1) Prior period balance includes non-performing loans from leasing transactions and factoring receivables.

By Board of Directors resolution; it has been decided to sell non-performing loans which comprises of consumer loans, commercial loans and credit cards under follow-up with amounting to TL 1.642.029 to a selection of asset management companies for a total amount of TL 85.890.

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

1.7.8.3. Information on non-performing loans granted as foreign currency loans:

	III. Group	IV. Group	V. Group
	Loans with limited collectability	Loans with doubtful collectability	Uncollectible loans
Current Period			
Period end balance	714.762	112.938	963.992
Specific provision (-)	451.367	98.057	886.195
Net balance on-balance sheet	**263.395**	**14.881**	**77.797**
Prior Period			
Period end balance	53.880	48.666	848.664
Specific provision (-)	49.030	46.852	792.037
Net balance on-balance sheet	**4.850**	**1.814**	**56.627**

1.7.8.4. Information on the gross and net amounts of the non-performing loans according to types of borrowers:

	III. Group	IV. Group	V. Group
	Loans with limited collectability	Loans with doubtful collectability	Uncollectible loans
Current Period (net)	**513.426**	**490.085**	**630.531**
Loans granted to real persons and corporate entities (gross)	1.281.238	1.249.296	6.294.679
Provision amount (-)	772.348	771.874	5.673.159
Loans granted to real persons and corporate entities (net)	508.890	477.422	621.520
Banks (gross)	-	-	29.183
Provision amount (-)	-	-	29.183
Banks (net)	-	-	-
Other loans (gross)	107.484	64.089	309.921
Provision amount (-)	102.948	51.426	300.910
Other loans (Net)	4.536	12.663	9.011
Prior Period (net)	**759.660**	**983.521**	**381.539**
Loans granted to real persons and corporate entities (gross)	880.645	1.543.615	6.626.153
Specific provision amount (-)	120.985	560.094	6.244.614
Loans granted to real persons and corporate entities (Net)	759.660	983.521	381.539
Banks (gross)	-	-	29.183
Specific provision amount (-)	-	-	29.183
Banks (net)	-	-	-
Other loans and receivables (gross)	-	-	83.988
Specific provision amount (-)	-	-	83.988
Other loans and receivables (Net)	-	-	-

1.7.8.5. Information on interest accruals, rediscounts and valuation differences calculated for non-performing loans and their provisions:

	III. Group	IV. Group	V. Group
	Loans with limited collectibility	Loans with doubtful collectibility	Uncollectible loans
Current Period (net)	**39.294**	**12.021**	**80**
Interest accruals and rediscounts and valuation differences	100.189	34.927	375
Provision amount (-)	60.895	22.906	295
Prior Period (net)			
Interest accruals and rediscounts and valuation differences	-	-	-
Provision amount (-)	-	-	-

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

1.8. Information on financial assets at amortized cost:

1.8.1. Information on Financial assets measured at amortised cost which are subject to repurchase agreements and given as collateral / blocked:

As of June 30, 2018 financial assets measured at amortised cost given as collateral/blocked amounts to TL 9.048.785 and subject to repo transactions amounts to TL 3.408.503.

Characteristics and carrying values of held-to-maturity investments subject to repurchase agreements given as collateral / blocked:

As of December 31, 2017 held-to-maturity investments given as collateral / blocked amounts to TL 7.759.071. The amount of held-to-maturity investments subject to repurchase agreements amounting to TL 2.740.515.

1.8.2. Information on public sector debt securities measured at amortized cost:

	Current Period
Government bond	19.600.464
Treasury bill	-
Other debt securities	714.081
Total	**20.314.545**

Information on government debt securities held-to-maturity:

	Prior Period
Government bond	13.346.581
Treasury bill	-
Other debt securities	850.485
Total	**14.197.066**

1.8.3. Information on financial assets measured at amortized cost:

	Current Period
Debt securities	20.834.062
Quoted on stock exchange	20.834.062
Not quoted	-
Impairment provision (-)(1)	519.517
Total	**20.314.545**

(1) Includes amortization of the premiums paid during the purchase of the securities throughout the maturity of the securities.

Information on investment securities held-to-maturity:

	Prior Period
Debt securities	14.574.865
Quoted on stock exchange	14.574.865
Not quoted	-
Impairment provision (-)(1)	377.799
Total	**14.197.066**

(1) Includes amortisation of the premiums paid during the purchase of the securities throughout the maturity of the securities and the impairment provisions, if any.

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

1.8.4. Movement of financial assets measured at amortized cost within the period:

	Current Period
Beginning balance	**14.197.066**
Foreign currency differences on monetary assets[1]	2.360.599
Purchases during year	2.984.536
Transfers[2]	1.998.350
Disposals through sales and redemptions	1.084.288
Impairment provision (-)[3]	141.718
Period end balance	**20.314.545**

(1) Also includes the changes in the interest income accruals.
(2) As of January 1, 2018, the Group has changed its business model for some government debt securities with the adoption of TFRS 9. As a result government bonds with an amount of TL 1.998.350 has been clasified from "Financial assets at fair value through other comprehensive income" to "Financial assets measured at amortised cost".
(3) Includes amortization of the premiums paid during the purchase of the securities throughout the maturity of the securities.

Movement of held-to-maturity investments within the period:

	Prior Period
Beginning balance	**11.588.890**
Foreign currency differences on monetary assets[1]	837.591
Purchases during year	3.231.152
Disposals through sales and redemptions	1.381.405
Impairment provision (-)[2]	79.162
Period end balance	**14.197.066**

(1) Also includes the changes in the interest income accruals.
(2) Includes amortisation of the premiums paid during the purchase of the securities throughout the maturity of the securities and the impairment provisions, if any.

1.9. Information on investments in associates (net):

1.9.1. Information on unconsolidated investments in associates:

No	Description	Address (City/ Country)	The Parent Bank's shareholding percentage - if different voting percentage (%)	Bank's risk group shareholding percentage (%)
1	Kredi Kayıt Bürosu[1]	Istanbul/Türkiye	18,18	18,18
2	Bankalararası Kart Merkezi A.Ş.[1]	Istanbul/Türkiye	9,98	9,98

1.9.2. Main financial figures of the investments in associates in the order of the above table:

No	Total assets	Shareholders' equity	Total fixed assets	Interest Income	Income from marketable securities portfolio	Current period profit / loss	Prior period profit / loss	Market Value
1	287.212	196.196	177.616	2.879	-	12.874	14.597	-
2	86.772	53.658	46.024	565	-	4.564	3.416	-

(1) Financial statement information disclosed above shows March 31, 2018 results.

1.9.3. Consolidated investments in associates:
1.9.4. Information on consolidated investments in associates:

No	Description	Address (City/ Country)	The Parent Bank's shareholding percentage - if different voting percentage (%)	Other Shareholders' shareholding percentage (%)[1]
1	Banque de Commerce et de Placements S.A.	Geneva/ Switzerland	30,67	-
2	Allianz Yaşam ve Emeklilik A.Ş.	İstanbul/Türkiye	-	20,00

(1) The other shareholders represent the consolidated Group companies.

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

1.9.5. Main financial figures of the consolidated investments in associates in order of the above table:

No	Total assets	Shareholders' equity	Total fixed assets	Interest Income	Income from marketable securities portfolio	Current period profit / loss	Prior period profit / loss	Market Value
1	22.481.372	2.255.299	16.775	154.055	18.133	99.915	95.666	-
2	1.525.204	446.675	63.278	99.486	-	123.509	163.207	-

1.9.6. Movement of consolidated investments in associates:

	Current Period	Prior Period
Balance at the beginning of the period	**772.025**	**664.614**
Movements during the period	**112.885**	**107.411**
Purchases	-	-
Bonus shares obtained	-	-
Share of current year income	53.003	87.340
Sales	-	-
Foreign exchange gain/(loss) stems from the foreign subsidiaries(1)	99.600	57.558
Impairment provision (-)(2)	39.718	37.487
Balance at the end of the period	**884.910**	**772.025**
Capital commitments	**-**	**-**
Shareholding percentage at the end of the period (%)	**-**	**-**

(1) Includes dividend income received in the current period.
(2) Includes the differences in the other comprehensive income related with the equity method accounting

1.9.7. Information on sectors and the carrying amounts of consolidated investments in associates:

	Current Period	Prior Period
Banks	647.803	529.384
Insurance companies	237.107	242.641
Total financial investments	**884.910**	**772.025**

1.9.8. Investments in associates quoted on stock exchange: None.

1.10. Information on subsidiaries (net):

There is no deficit of regulatory limits on capital structure of the subsidiaries which are included in the consolidated capital adequacy ratio calculation in accordance with the capital adequacy ratio limits.

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

1.10.1. Information on shareholders' equity of the significant subsidiaries:

	Yapı Kredi Yatırım Menkul Değerler A.Ş.	Yapı Kredi Faktoring A.Ş.	Yapı Kredi Finansal Kiralama A.O.	Yapı Kredi Portföy Yönetimi A.Ş.	Yapı Kredi Nederland N.V.
Core capital					
Paid in Capital	98.918	60.714	389.928	5.707	112.442
Inflation adjustment to share capital	-	-	-	-	-
Share premium	-	-	-	-	-
Other Capital Reserves	93.423	-	(217.104)	-	-
Other comprehensive income that will not be classified under profit or loss	16.034	(1.227)	(1.726)	(933)	-
Other comprehensive income that will be classified under profit or loss	27.761	-		-	1.062.595
Legal Reserves	66.052	8.034	79.305	25.419	-
Extraordinary Reserves	225.864	39.717	659.399	-	634.531
Other Profit Reserves	-	-	-	-	788.306
Income or Loss	3.403	141.492	1.112.534	17.671	37.531
Current Year Income/Loss	73.349	39.734	167.715	17.671	37.531
Prior Years' Income/Loss	(69.946)	101.758	944.819	-	-
Leasehold improvements (-)	350	251	-	232	262
Intangible assets (-)	27.667	3.278	7.509	581	200
Total core capital	**503.437**	**245.201**	**2.014.827**	**47.051**	**1.692.584**
Supplementary capital	**17.695**	**30.174**	**80.579**	**-**	**39.839**
Capital	**521.132**	**275.375**	**2.095.406**	**47.051**	**1.732.423**
Deductions from the capital	**-**	**-**	**-**	**-**	**-**
Total shareholders' equity	**521.132**	**275.375**	**2.095.406**	**47.051**	**1.732.423**

The above information is based on the information extracted from the individual financial statements of subsidiaries, used for consolidated financial statements of the Bank as of June 30, 2018.

The internal capital adequacy for the subsidiaries is calculated with the model and approaches used in the Parent Bank within the scope of the consolidated Internal Capital Adequacy Assessment Process ("ICAAP") report.

Paid-in capital is a capital which have been disclosed as Turkish Lira in the articles of incorporation and registered in trade register.

Inflation adjustment to share capital is the adjustment difference arising from inflation accounting.

Extraordinary Reserves are the reserves which represent the remaining net income of the previous periods after providing the legal reserves in accordance with the General Assembly of the Bank.

Legal reserves are the income reserves that are provided according to the first paragraph and the third subparagraph of the second paragraph of the article no 466 and no 467 of the Turkish Commercial Code No. 6762 allocated as capital reserves separated from annual profit according to the laws of foundation.

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

1.10.2. Unconsolidated subsidiaries:

1.10.2.1. Information on unconsolidated subsidiaries

Since the subsidiaries below are not financial subsidiaries, the related subsidiaries are unconsolidated and are carried at restated cost.

	Description	Address (City/ Country)	The Parent Bank's shareholding percentage - if different voting percentage (%)	Bank's risk group shareholding percentage (%)
1	Yapı Kredi-Kültür Sanat Yayıncılık Tic. ve San. A.Ş.	İstanbul/Türkiye	99,99	100,00
2	Enternasyonal Turizm Yatırım A.Ş.	İstanbul/Türkiye	99,96	99,99
3	Yapı Kredi Teknoloji A.Ş.	İstanbul/Türkiye	100,00	100,00

1.10.2.2. Main financial figures of the subsidiaries in order of the above table:

	Total assets	Shareholders' equity	Total fixed assets	Interest Income	Income from marketable securities portfolio	Current period profit / loss	Prior period profit / loss	Market Value
1	41.749	29.295	1.456	26	-	2.887	3.422	-
2	42.529	29.690	4.866	1.561	-	1.467	1.106	-
3	13.796	10.908	1.910	573	-	2.534	1.403	-

1.10.3. Consolidated subsidiaries:

1.10.3.1. Information on consolidated subsidiaries:

	Description	Address (City/ Country)	The Parent Bank's shareholding percentage - if different voting percentage (%)	Bank's risk group shareholding percentage (%)
1	Yapı Kredi Holding B.V.	Amsterdam/Nederlands	100,00	100,00
2	Yapı Kredi Menkul	Istanbul/Turkey	99,98	100,00
3	Yapı Kredi Faktoring	Istanbul/Turkey	99,95	100,00
4	Yapı Kredi Leasing	Istanbul/Turkey	99,99	99,99
5	Yapı Kredi Portföy	Istanbul/Turkey	12,65	99,99
6	Yapı Kredi NV (1)	Amsterdam/Nederlands	67,24	100,00
7	Yapı Kredi Azerbaycan	Bakü/Azerbaijan	99,80	100,00
8	Yapı Kredi Malta	St.Julian/Malta	-	100,00

Although Yapı Kredi Diversified Payment Rights Finance Company ("Special Purpose Entity") which is established for securitisation transactions of Yapı Kredi is not a subsidiary, it is included in the consolidation.

(1) Includes the balances for Stiching Custody Services YKB.

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

1.10.3.2. Main financial figures of the consolidated subsidiaries in the order of the below table:

	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit / loss	Prior period profit /loss	Market value	Required equity
1	231.537	231.336	-	-	-	35	(562)	-	-
2	4.829.741	531.454	48.153	71.476	3.817	73.349	59.013	-	-
3	4.315.496	248.730	3.961	166.801	-	39.734	16.982	-	-
4	12.514.097	2.022.336	8.330	432.402	-	167.715	118.084	-	-
5	59.394	47.864	1.057	4.419	-	17.671	15.020	-	-
6	11.246.792	1.881.602	1.349	287.299	8.939	72.033	48.474	-	-
7	1.131.212	230.841	35.928	31.397	4.531	8.907	13.546	-	-
8	807.779	322.666	2.166	11.840	321	1.982	2.414	-	-

1.10.4. Movement schedule of consolidated subsidiaries:

	Current Period	Prior Period
Balance at the beginning of the period	**4.800.064**	**4.225.724**
Movements during the period	**488.195**	**574.340**
Purchases	-	-
Free shares obtained profit from current years share	-	-
Share of current year income	351.613	529.252
Sales(-) [1]	-	247.343
Revaluation (decrease) / increase [2], [3]	184.963	396.485
Impairment provision (-)[4]	48.381	104.054
Balance at the end of the period	**5.288.259**	**4.800.064**
Capital commitments	**-**	**-**
Shareholding percentage at the end of the period (%)	**-**	**-**

(1) Group has concluded the sale of 100% shares in Yapı Kredi Bank Moscow with Russian Rouble 478.272.000 nominal value to Expobank LLC in Russia for Russian Rouble 3.300.000.000 in 2017.
(2) Includes the differences in the other comprehensive income of consolidated subsidiaries.
(3) Includes the first time application impact of TFRS 9 for associates and joint ventures accounted using equity method amounting to net TL 181.350 expense.
(4) Includes dividend income received in the current period.

1.10.5. Sectoral information on financial subsidiaries and the related carrying amounts:

Financial Subsidiaries	Current Period	Prior Period
Banks	1.495.627	1.243.843
Insurance companies	-	-
Factoring companies	248.612	222.753
Leasing companies	2.022.214	1.966.487
Finance companies	-	-
Other financial subsidiaries	1.521.806	1.366.981
Total financial subsidiaries	**5.288.259**	**4.800.064**

1.10.6. Subsidiaries quoted on stock exchange:

None.

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

1.11. Information on joint ventures (net):

1.11.1. Unconsolidated joint ventures:

None.

1.11.2. Consolidated joint ventures:

1.11.2.1. Information on consolidated Joint Ventures:

Joint ventures	Bank's share	Group's share	Total asset	Shareholders' equity	Current assets	Non-current assets	Long term debt	Income	Expense
Yapı Kredi – Koray Gayrimenkul Yatırım Ortaklığı A.Ş.	30,45	30,45	84.643	69.914	25.049	59.594	8.888	24.712	(24.432)
Total			**84.643**	**69.914**	**25.049**	**59.594**	**8.888**	**24.712**	**(24.432)**

1.12. Information on lease receivables (net):

1.12.1. Breakdown according to maturities:

		Current Period		Prior Period
	Gross	Net	Gross	Net
Less than 1 year	4.856.844	3.878.175	4.229.930	3.435.283
Between 1- 4 years	6.950.807	6.066.017	6.146.058	5.244.154
More than 4 years	1.737.731	1.566.619	1.810.826	1.632.287
Total	**13.545.382**	**11.510.811**	**12.186.814**	**10.311.724**

1.12.2. Information for net investments in finance leases:

		Current Period		Prior Period
	TL	FC	TL	FC
Gross lease receivables	2.842.710	10.702.672	2.767.260	9.419.554
Unearned financial income from leases (-)	609.826	1.424.745	585.404	1.289.686
Amount of cancelled leases (-)	-	-	-	-
Total	**2.232.884**	**9.277.927**	**2.181.856**	**8.129.868**

1.13. Information on investment property:

None (December 31, 2017 - None).

1.14. Information on deferred tax asset

There is a deferred tax asset amounting to TL 222.283 as of June 30, 2018 reflected in the consolidated financial statements after the deferred tax assets and liabilities of each entity in consolidation has been netted off in their standalone financial statements as per TAS 12 (December 31, 2017 – TL 53.314 deffered tax asset).

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

1.15. Movement schedule of assets held for resale and related to discontinued operations:

	Current Period	Prior Period
Net book value at the beginning of the period	**209.854**	**166.183**
Additions	69.504	154.214
Disposals (-), net	39.015	111.432
Impairment provision reversal	1.428	385
Impairment provision (-)	-	-
Translation differences	863	504
Net book value at the end of the period	**242.634**	**209.854**
Cost at the end of the period	252.614	222.369
Accumulated depreciation at the end of the period (-)	9.980	12.515
Net book value at the end of the period	**242.634**	**209.854**

As of June 30, 2018, the Group booked impairment provision on assets held for resale with an amount of TL 4.533 (December 31, 2017 - TL 5.961)

1.16. Information on other assets:

As of June 30, 2018, other assets do not exceed 10% of the total assets

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

2. Explanations and notes related to consolidated liabilities:

2.1. Information on deposits:

2.1.1. Information on maturity structure of deposits/collected funds:

Current Period	Demand	Up to 1 month	1-3 Month	3-6 Month	6 Month-1 Year	1 Year and over	Cumulative savings account	Total
Saving deposits	7.648.463	2.193.910	37.023.528	1.733.458	300.714	177.615	1.267	49.078.955
Foreign currency deposits	18.654.858	12.126.638	55.395.765	3.793.130	5.908.618	5.852.908	-	101.731.917
Residents in Turkey	16.580.092	11.818.038	53.623.525	2.599.490	1.522.028	1.671.370	-	87.814.543
Residents abroad	2.074.766	308.600	1.772.240	1.193.640	4.386.590	4.181.538	-	13.917.374
Public sector deposits	463.717	963	5.275	174	417	23	-	470.569
Commercial deposits	7.679.641	5.860.287	10.010.537	425.476	488.912	41.927	-	24.506.780
Other institutions deposits	118.691	37.253	1.459.897	516.951	474.608	589	-	2.607.989
Precious metals vault	1.142.017	90.148	320.171	34.627	53.840	22.023	-	1.662.826
Bank deposits	931.627	9.256.566	1.451.419	494.886	631.179	-	-	12.765.677
The CBRT	-	6.650.830	-	-	-	-	-	6.650.830
Domestic banks	10.993	2.423.083	487.049	168.972	41.406	-	-	3.131.503
Foreign banks	393.827	182.653	964.370	325.914	589.773	-	-	2.456.537
Participation banks	526.807	-	-	-	-	-	-	526.807
Other	-	-	-	-	-	-	-	-
Total	**36.639.014**	**29.565.765**	**105.666.592**	**6.998.702**	**7.858.288**	**6.095.085**	**1.267**	**192.824.713**

Prior Period	Demand	Up to 1 month	1-3 Month	3-6 Month	6 Month-1 Year	1 Year and over	Cumulative savings account	Total
Saving deposits	6.797.877	2.360.382	35.134.409	1.472.504	190.818	150.872	967	46.107.829
Foreign currency deposits	15.860.217	15.973.319	42.352.407	5.158.608	6.940.090	3.624.464	-	89.909.105
Residents in Turkey	13.886.368	15.396.053	41.375.032	4.221.274	3.504.726	1.220.550	-	79.604.003
Residents abroad	1.973.849	577.266	977.375	937.334	3.435.364	2.403.914	-	10.305.102
Public sector deposits	250.278	3	5.876	3	453	10	-	256.623
Commercial deposits	7.499.106	7.865.606	7.794.055	637.070	448.428	301.136	-	24.545.401
Other institutions deposits	116.749	457.166	801.617	495.305	517	513	-	1.871.867
Precious metals vault	744.610	71.033	358.492	27.040	39.115	19.229	-	1.259.519
Bank deposits	636.676	5.338.543	2.599.859	374.986	483.220	5	-	9.433.289
The CBRT	-	4.061.881	-	-	-	-	-	4.061.881
Domestic banks	9.192	1.197.005	1.600.797	226.297	26.983	5	-	3.060.279
Foreign banks	158.991	79.657	999.062	148.689	456.237	-	-	1.842.636
Participation banks	468.493	-	-	-	-	-	-	468.493
Other	-	-	-	-	-	-	-	-
Total	**31.905.513**	**32.066.052**	**89.046.715**	**8.165.516**	**8.102.641**	**4.096.229**	**967**	**173.383.633**

2.1.2. Information on saving deposits insurance:

2.1.2.1. Information on saving deposits under the guarantee of the saving deposits insurance fund and exceeding the limit of deposit insurance fund:

	Under the guarantee of deposit insurance		Exceeding the limit of the insurance deposit	
Saving deposits(1)	**Current period**	**Prior period**	**Current period**	**Prior period**
Saving deposits	24.857.734	23.637.528	24.302.149	22.558.092
Foreign currency savings deposit	11.226.043	9.714.974	33.894.766	27.176.316
Other deposits in the form of savings deposits	773.468	492.198	744.708	647.851
Foreign branches' deposits under foreign authorities' insurance	-	-	-	-
Off-shore banking regions' deposits under foreign authorities' insurance	-	-	-	-

(1) The balances from foreign subsidiaries, calculated in accordance with their own regulation, are included.

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

2.1.2.2. Saving deposits which are not under the guarantee of saving deposit insurance fund of real persons:

	Current Period	Prior Period
Foreign branches' deposits and other accounts	8.286	6.993
Saving deposits and other accounts of controlling shareholders and deposits of their mother, father, spouse, children in care	-	-
Saving deposits and other accounts of president and members of board of directors, CEO and vice presidents and deposits of their mother, father, spouse, children in care	219.556	164.319
Saving deposits and other accounts in scope of the property holdings derived from crime defined in article 282 of Turkish criminal law no:5237 dated 26.09.2004	-	-
Saving deposits in deposit bank which is established in Turkey in order to engage in off-shore banking activities solely	-	-

2.2. Information on trading derivative financial liabilities:

2.2.1. Negative differences table for derivative financial liabilities held for trading:

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward transactions	327.728	32	132.393	154
Swap transactions[1]	4.664.818	687.407	3.260.570	219.426
Futures transactions	-	-	-	-
Options	364.487	92.796	144.714	63.177
Other	4.662	233	-	271
Total	**5.361.695**	**780.468**	**3.537.677**	**283.028**

2.2.2. Negative differences table for derivative financial liabilities held for hedging:

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair value hedges [1]	271.825	-	205.148	63
Cash flow hedges [1]	148.387	30.379	95.187	12.380
Hedges for investments made in foreign countries	-	-	-	-
Total	**420.212**	**30.379**	**300.335**	**12.443**

(1) Explained in Note 8 of section 4

2.3. Information on banks and other financial institutions:

2.3.1. Information on borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
The Central Bank of the Republic of Turkey borrowings	-	72.467	-	460.152
From domestic banks and institutions	1.802.128	1.394.209	1.751.398	1.155.868
From foreign banks, institutions and funds	331.917	44.759.010	541.432	38.441.203
Total	**2.134.045**	**46.225.686**	**2.292.830**	**40.057.223**

2.3.2. Information on maturity structure of borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	1.544.185	12.336.162	1.720.619	9.723.350
Medium and long-term	589.860	33.889.524	572.211	30.333.873
Total	**2.134.045**	**46.225.686**	**2.292.830**	**40.057.223**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

2.3.3. Information on marketable securities issued

	Current Period	
	TL	**FC**
Bills	2.039.375	-
Asset backed securities[(1)]	-	3.544.498
Bonds	3.661.299	14.205.375
Total	**5.700.674**	**17.749.873**

	Prior Period	
	TL	**FC**
Bills	1.212.509	107.682
Asset backed securities[(1)]	-	8.278.912
Bonds	3.584.201	10.094.567
Total	**4.796.710**	**18.481.161**

(1) The Group obtains borrowings via its structured entity, Diversified Payment Rights Finance Company, with securitization transactions which is founded on its future money transfers within its funding programme.

2.3.4. Information on financial liabilities fair value through profit and loss:

The Group classified some of its financial liabilities as the financial liabilities classified at fair value through profit/loss in order to eliminate the accounting mismatch at the initial recognition in accordance with TFRS 9. As of June 30, 2018, the total amount of financial liabilities classified as fair value through profit/loss is TL 6.435.912 (December 31, 2017 –TL 4.929.709) with an accrued interest expense of TL 257.675 (December 31, 2017 - TL 123.051 income) and with a fair value difference of TL 399.393 recognized in the income statement as an expense (December 31, 2017 - TL 216.465 loss). On the other hand, the nominal amounts of the total return swaps which are closely related with these financial liabilities as of June 30, 2018 are TL 6.465.552 (December 31, 2017: TL 4.618.063) for buy legs and TL 6.465.552 (December 31, 2017: TL 4.618.063) for sell legs with a fair value differences amounting to TL 254.851 liability (December 31, 2017 –TL 92.985 asset). The mentioned total return swaps have 9 year maturity in average.

Securitizations with a fair value amounting to TL 6.435.912 (December 31, 2017 - TL 4.929.709) are followed under "Marketable securities issued" in the prior years and is reclassified to "Financial liabilities at fair value through profit or loss" in line with the format of the balance sheet effective from January 1, 2018

2.4. Information on other liabilities:

As of June 30, 2018, other liabilities do not exceed 10% of the total balance sheet commitments.

2.5. Information on lease payables:

2.5.1. Information on financial leasing agreements:

None (December 31, 2017 - None).

2.5.2. Information on operational leasing agreements:

The Parent Bank enters into operational leasing agreements annually for some of its branches and ATMs. The leases are prepaid and accounted as prepaid expenses under "Other Assets".

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

2.6. Information on provisions:

2.6.1. Information on general provisions:

	Prior period
I. Provisions for first group loans and receivables	2.718.237
II. Provisions for second group loans and receivables	242.597
Provisions for non-cash loans	112.170
Other	337.801
Total	**3.410.805**

2.6.2. Information on reserve for employee rights:

In accordance with Turkish Labour Law, the reserve for employment termination benefits is calculated as the present value of the probable future obligation in case of the retirement of employees. "TAS 19- Employee Rights", necessitates actuarial valuation methods to calculate the liabilities of enterprises.

The following actuarial assumptions were used in the calculation of total liabilities:

	Current Period	**Prior Period**
Discount rate (%)	4,95	4,50
Possibility of being eligible for retirement (%)	93,79	93,63

The principal actuarial assumption is that the maximum liability will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the effects of future inflation. As the annual ceiling is revised semi-annually, the ceiling of full TL 5.434,42 effective from July 1, 2018 (January 1, 2018 - full TL 5.001,76) has been taken into consideration in calculating the reserve for employment termination benefits.

Movement of employment termination benefits liability in the balance sheet:

	Current Period	**Prior Period**
Prior period ending balance	**400.547**	**129.510**
Changes during the period	25.208	53.918
Recognized in equity	31.865	259.779
Paid during the period	(21.621)	(41.923)
Foreign currency differences	-	(737)
Balance at the end of the period	**435.999**	**400.547**

In addition, the Group has accounted for unused vacation rights provision amounting to TL 220.698 as of June 30, 2018 (December 31, 2017 - TL 183.832).

2.6.3. Information on provisions related with the foreign currency difference of foreign currency indexed loans:

As of June 30, 2018, there is no provision related to the foreign currency difference of foreign currency indexed loans amounts. (December 31, 2017 - TL 27.135). Provisions related to the foreign currency difference of foreign currency indexed loans are netted from the loan amount in the financial statements.

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

2.6.4. Other provisions:

2.6.4.1. Information on other provisions:

	Current Period
Pension fund provision	690.852
Provisions on unindemnified non cash loans	658.298
Generic provisions on non cash loans	148.516
Provision on lawsuits	115.082
Provisions on credit cards and promotion campaigns related to banking services	52.237
Other	787.871
Total	**2.452.856**

	Prior Period
Pension fund provision	690.852
Provisions on unindemnified non cash loans	139.143
Provision on lawsuits	101.228
Provisions on credit cards and promotion campaigns related to banking services	44.497
Other	511.599
Total	**1.487.319**

2.7. Explanations on tax liability:

2.7.1. Information on taxes payable:

	Current Period	**Prior Period**
Corporate Tax Payable	124.780	255.616
Taxation of Marketable Securities	176.176	147.382
Property Tax	3.123	3.301
Banking Insurance Transaction Tax ("BITT")	168.816	137.588
Foreign Exchange Transaction Tax	-	-
Value Added Tax Payable	5.170	10.173
Other	70.289	46.121
Total	**548.354**	**600.181**

2.7.2. Information on premium payables:

	Current Period	**Prior Period**
Social security premiums - employee	250	722
Social security premiums - employer	268	807
Bank pension fund premiums - employee	18.916	17.263
Bank pension fund premiums - employer	19.506	17.802
Pension fund deposit and provisions - employee	-	-
Pension fund deposit and provisions - employer	-	-
Unemployment insurance - employee	1.350	1.232
Unemployment insurance - employer	2.702	2.465
Other	-	-
Total	**42.992**	**40.291**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

2.7.3. Information on deferred tax liability:

There is a deferred tax liability amounting to TL 20.380 reflected in the consolidated financial statements after the deferred tax assets and liabilities of each entity in consolidation has been netted off in their standalone financial statements as per "TAS 12-Income Taxes". (December 31, 2017 – TL 225.278 tax liabilities).

2.8. Liabilities for property and equipment held for sale and related to discontinued operations (net):

None. (December 31, 2017- None)

2.9. Information on subordinated debt(1):

	Current Period		Prior Period	
	TP	**YP**	**TP**	**YP**
Debt instruments to be included in additional capital calculation	**-**	**-**	**-**	**-**
Subordinated loans	-	-	-	-
Subordinated debt	-	-	-	-
Debt instruments to be included in contribution capital calculation	**-**	**11.750.820**	**-**	**9.718.804**
Subordinated loans	-	4.830.971	-	3.996.099
Subordinated debt	-	6.919.849	-	5.722.705
Total	**-**	**11.750.820**	**-**	**9.718.804**

(1) Subordinated loans are explained in detail in the Note "Information on debt instruments included in the calculation of equity" in section four.

2.10. Information on shareholders' equity:

2.10.1. Presentation of paid-in capital:

	Current Period	Prior Period
Common stock	8.447.051	4.347.051
Preferred stock	-	-

2.10.2. Amount of paid-in capital, disclosure of whether the Bank's registered capital system is applied and if applied registered capital ceiling:

Capital System	Paid-In Capital	Registered Share Capital Ceiling
Registered Capital System	8.447.051	10.000.000

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

2.10.3. Information on the share capital increases during the period and the sources:

Capital increase date	Capital increase amount	Cash	Profit reserves subject to capital increase	Capital reservessubject to capital increase
June 29, 2018	4.100.000	4.100.000	-	-

The Bank increased its paid in capital by TL 4.100.000, fully paid in cash, from TL 4.347.051 to TL 8.447.051 within registered share capital ceiling of TL 10.000.000. (December 31, 2017 – None.)

2.10.4. Information on transfers from capital reserves to capital during the current period:

None. (December 31, 2017 - None).

2.10.5. Information on capital commitments, until the end of the fiscal year and the subsequent interim period:

None. (December 31, 2017 - None).

2.10.6. Information on prior period's indicators on the Group's income, profitability and liquidity, and possible effects of these future assumptions on the Bank's equity due to uncertainties of these indicators:

The interest, liquidity, and foreign exchange risk related to on-balance sheet and off-balance sheet assets and liabilities are managed by the Parent Bank within several risk and legal limits.

2.10.7. Privileges on the corporate stock tors:

None. (December 31, 2017 - None).

2.10.8. Information on value increase fund of marketable securities:

	Current Period	
	TL	**FC**
From investments in associates, subsidiaries, and joint ventures	**-**	**-**
Revaluation difference	-	-
Foreign currency difference	-	-
Financial assets at fair value through other comprehensive income(1)	**(930.417)**	**(241.757)**
Revaluation difference	(930.417)	(241.757)
Foreign currency differences	-	-
Total	**(930.417)**	**(241.757)**

(1) Includes tax effect related to foreign currency valuation differences in TL column.

	Prior Period	
	TL	**FC**
From investments in associates, subsidiaries, and joint ventures	**-**	**-**
Valuation difference	-	-
Foreign currency difference	-	-
Available for sale securities(1)	**(445.780)**	**60.864**
Valuation differences	(445.780)	60.864
Foreign currency differences	-	-
Total	**(445.780)**	**60.864**

(1) Includes tax effect related to foreign currency valuation differences in TL column.

2.10.9. Information on profit distribution:

It was decided to distribute unconsolidated net profit of TL 3.614.081 as of December 31, 2017, in accordance with the General Assembly dated March 20, 2018 as follows: TL 127.833 to be transferred to special funds account in accordance with the article No 5 1/e section of the Corporate Tax Law numbered 5520 as 75% of the profit from the sale of real estate and the remaining TL 3.486.248 to be transferred to extraordinary reserves.

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

2.10.10. Information on minority interest:

	Current Period	Prior Period
Period opening balance	**541**	**502**
Current period income/(loss)	59	77
Dividends paid	(42)	(38)
Period ending balance	**558**	**541**

3. Explanations and notes related to consolidated off-balance sheet accounts

3.1. Information on off balance sheet commitments:

3.1.1. The amount and type of irrevocable commitments:

	Current Period	Prior Period
Commitments on credit card limits	36.167.354	33.700.364
Loan granting commitments	12.876.907	10.125.035
Commitments for cheques	3.365.156	6.844.741
Other irrevocable commitments	50.360.666	83.371.921
Total	**102.770.083**	**134.042.061**

3.1.2. Type and amount of probable losses and obligations arising from off-balance sheet items:

Obligations arising from off-balance sheet are disclosed in "Off-balance sheet commitments". The Group set aside general provision for its non-cash loans amounting to TL 148.516 (December 31, 2017 - TL 112.170) and specific provision amounting to TL 895.008 (December 31, 2017 - TL 944.029) for non-cash loans which are not indemnified yet amounting to TL 658.298 (December 31, 2017 - TL 139.143).

3.1.2.1. Non-cash loans including guarantees, bank acceptance loans, collaterals that are accepted as financial guarantees and other letter of credits:

	Current Period	Prior Period
Bank acceptance loans	223.192	212.685
Letter of credits	16.459.825	11.527.886
Other guarantees and collaterals	7.613.738	6.811.093
Total	**24.296.755**	**18.551.664**

3.1.2.2. Guarantees, suretyships and other similar transactions:

	Current Period	Prior Period
Temporary letter of guarantees	2.316.377	2.273.465
Definite letter of guarantees	39.989.859	37.507.430
Advance letter of guarantees	12.451.340	9.606.133
Letter of guarantees given to customs	2.559.885	2.351.305
Other letter of guarantees	10.637.039	8.561.418
Total	**67.954.500**	**60.299.751**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

3.1.3. Information on non-cash loans:

3.1.3.1. Total amount of non-cash loans:

	Current Period	Prior Period
Non-cash loans given against cash loans	11.131.274	8.052.720
With original maturity of 1 year or less than 1 year	2.697.888	1.878.094
With original maturity of more than 1 year	8.433.386	6.174.626
Other non-cash loans	81.119.981	70.798.695
Total	**92.251.255**	**78.851.415**

3.2. Information on contingent liabilities and assets:

The Group has recorded a provision of TL 115.082 (December 31, 2017 – TL 101.228) for litigations against the Group and has accounted for it in accompanying consolidated the financial statements under the "Other provisions" account. Except for the claims where provisions are recorded, management considers as remote the probability of a negative result in ongoing litigations and therefore does not foresee any cash outflows for such claim.

4. Explanations and notes related to consolidated income statement:

4.1. Information on interest income:

4.1.1. Information on interest income on loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term loans(1)	3.163.115	301.080	2.562.461	226.615
Medium/long-term loans(1)	5.092.698	2.429.711	3.957.272	1.782.607
Interest on loans under follow-up	275.873	-	45.575	-
Premiums received from resource utilisation support fund	-	-	-	-
Total	**8.531.686**	**2.730.791**	**6.565.308**	**2.009.222**

(1) Includes fees and commissions received for cash loans.

4.1.2. Information on interest income on banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
From the CBRT	239.357	-	54.370	18
From domestic banks	66.878	7.118	93.139	1.949
From foreign banks	615	28.642	843	24.362
Headquarters and branches abroad	-	-	-	-
Total	**306.850**	**35.760**	**148.352**	**26.329**

4.1.3. Information on interest income on marketable securities:

	Current Period	
	TL	FC
From financial assets where fair value change is reflected to income statement	6.725	481
From financial assets where fair value change is reflected to other comprehensive income statement	1.226.085	85.002
From financial Assets Measured at Amortised Cost	428.117	188.385
Total	**1.660.927**	**273.868**

	Prior Period	
	TL	FC
From financial assets at fair value through profit or loss	1.279	835
From available-for-sale financial assets	920.657	81.660
From held-to-maturity investments	238.458	199.390
Total	**1.160.394**	**281.885**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

4.1.4. Information on interest income received from associates and subsidiaries:

	Current Period	Prior Period
Interests received from associates and subsidiaries	446	767

4.2. Information on interest expense:

4.2.1. Information on interest expense on borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	104.279	747.931	74.222	489.251
The CBRT	-	1.616	-	2.626
Domestic banks	86.356	22.253	54.530	19.729
Foreign banks	17.923	724.062	19.692	466.896
Headquarters and branches abroad	-	-	-	-
Other institutions	-	193.773	-	98.535
Total(1)	**104.279**	**941.704**	**74.222**	**587.786**

(1) Includes fees and commissions related to borrowings.

4.2.2. Information on interest expense to associates and subsidiaries:

	Current Period	Prior Period
Interests paid to associates and subsidiaries	1.795	2.558

4.2.3. Information on interest expense to marketable securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest expense to marketable securities issued	366.335	542.024	225.258	304.652
Total	**366.335**	**542.024**	**225.258**	**304.652**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

4.2.4. Maturity structure of the interest expense on deposits:

Account name	Demand deposit	Up to 1 month	Up to 3 months	Up to 6 months	Up to 1 year	More than 1 year	Cumulative deposit	Total	Prior Period
TL									
Bank deposit	-	111.177	29.160	1.782	256	-	-	142.375	52.449
Saving deposit	-	116.444	2.416.810	99.502	13.904	9.092	635	2.656.387	1.982.752
Public sector deposit	-	18	297	3	25	1	-	344	1.142
Commercial deposit	18	391.097	761.449	24.754	37.844	13.503	-	1.228.665	1.343.165
Other deposit	-	10.759	254.225	66.106	17.897	27	-	349.014	396.837
Deposit with 7 days notification	-	-	-	-	-	-	-	-	-
Total	**18**	**629.495**	**3.461.941**	**192.147**	**69.926**	**22.623**	**635**	**4.376.785**	**3.776.345**
FC									
Foreign currency deposit	1.155	166.666	680.115	44.134	109.574	50.158	-	1.051.802	834.231
Bank deposit	899	37.507	5.818	1.568	2.605	608	-	49.005	37.559
Deposit with 7 days notification	-	-	-	-	-	-	-	-	-
Precious metal vault	-	418	929	96	231	57	-	1.727	1.601
Total	**2.054**	**204.591**	**686.862**	**45.798**	**112.410**	**50.823**	**-**	**1.102.534**	**873.391**
Grand total	**2.072**	**834.086**	**4.148.803**	**237.945**	**182.336**	**73.446**	**635**	**5.479.319**	**4.649.736**

4.3. Information on trading gain/loss (net):

	Current Period	Prior Period
Gain	**43.013.303**	**21.764.859**
Gain from capital market transactions	381.530	67.501
Derivative financial transaction gains	21.164.210	7.233.868
Foreign exchange gains	21.467.563	14.463.490
Loss(-)	**43.460.394**	**21.806.146**
Loss from capital market transactions	25.250	30.953
Derivative financial transaction losses	17.775.773	8.863.419
Foreign exchange loss	25.659.371	12.911.774
Net gain/loss	**(447.091)**	**41.287**

4.4. Allowance for expected credit losses:

	Current Period
Allowance for expected credit losses	**2.041.372**
12-month expected credit losses (Stage 1)	332.379
Significant increase in credit risk (Stage 2)	363.663
Credit-Impaired (Stage 3)	1.345.330
Impairment provisions for financial assets	-
Financial assets at fair value through profit or loss	-
Financial assets at fair value through other comprehensive income	-
Impairment provisions related to investments in associates, subsidiaries and jointly controlled partnerships (Joint ventures)	-
Investments in associates	-
Subsidiaries	-
Jointly controlled partnerships (joint ventures)	-
Other	**343.440**
Total	**2.384.812**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

Provision for impairment of loans and other receivables:

	Prior Period
Specific provisions for loans and other receivables	1.473.191
III. Group loans and receivables	54.028
IV. Group loans and receivables	87.085
V. Group loans and receivables	1.332.078
General provision expenses	107.081
Provision expense for possible risks	50.000
Marketable securities impairment expenses(1)	37.320
Financial assets at fair value through profit or loss	285
Available-for-sale financial assets	37.035
Impairment of investments in associates, subsidiaries and held-to-maturity securities	35.789
Investments in associates	-
Subsidiaries	-
Joint ventures	-
Held-to-maturity investments(1)	35.789
Other	11.054
Total	**1.714.435**

(1) Includes amortization of the premiums paid during the purchase of the securities throughout the maturity of the securities and the impairment provisions, if any.

4.5. Information on gain/loss from derivative financial transactions:

The net gain resulting from the foreign exchange differences related to derivative financial transactions is TL 4.040.435 (June 30, 2017 - TL 1.426.273 loss).

4.6. Information on other operating income:

"Other Operating Income" in the Income Statement mainly includes collections from receivables for which Specific / General provision has been allocated in prior periods.

4.7. Information related to other operating expenses:

	Current Period	**Prior Period**
Personnel expenses(1)	1.380.612	1.235.509
Reserve for employee termination benefits	8.171	6.190
Provision expense for pension fund	-	-
Impairment expenses of property and equipment	-	-
Depreciation expenses of property and equipment	87.657	112.993
Impairment expenses of intangible assets	445	-
Goodwill impairment expenses	-	-
Amortization expenses of intangible assets	53.122	65.117
Impairment expenses of equity participations for which equity method is applied	-	-
Impairment expenses of assets held for resale	-	-
Depreciation expenses of assets held for resale	-	-
Impairment expenses of fixed assets held for sale and assets related to discontinued operations	-	-
Other operating expenses	1.106.066	968.988
Operational lease expenses	159.574	152.762
Repair and maintenance expenses	59.232	56.835
Advertising expenses	87.346	85.268
Other expense	799.914	674.123
Loss on sales of assets	-	-
Other	367.415	402.695
Total	**3.003.488**	**2.791.492**

(1) "Personnel expenses" are also disclosed in this table, although it is not presented in other operating expenses in the income statement.

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

4.8. Provision for taxes on income from continuing operations and discontinued operations:

Income before tax includes net interest income amounting to TL 6.053.628 (June 30, 2017 -TL 4.571.979), net fee and commission income amounting to TL 2.085.049 (June 30, 2017 - TL 1.674.994) and total other operating expense including personnel expenses amounting to TL 3.003.488 (June 30, 2017 - TL 2.791.492).

As of June 30, 2018, the Group has no profit before taxes from discontinued operations (June 30, 2017 – None).

4.9. Provision for taxes on income from continuing operations and discontinued operations:

As of June 30, 2018, the Group has current tax expense amounting to TL 240.853 (June 30, 2017 - TL 789.053) and deferred tax expense amounting to TL 460.363 (June 30, 2017 - TL 296.299 deferred tax income).

4.10. Information on net income/loss for the period:

4.10.1. The characteristics, dimension and recurrence of income or expense items arising from ordinary banking transactions do not require any additional explanation to understand the Group's current period performance.

4.10.2. Information on any change in the accounting estimates concerning the current period or future periods: None

4.11. Income/loss of minority interest:

	Current Period	Prior Period
Income/(loss) of minority interest	59	34

4.12. Other items in income statement:
"Other fees and commissions received" in income statement mainly includes commissions and fees from credit cards and banking transactions.

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

5. Explanations and notes related to Group's risk group:

5.1. The volume of transactions relating to the Group's risk group, outstanding loan and deposit transactions and profit and loss of the period:

5.1.1. Information on loans of the Group's risk group:

Current Period	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Group		Other real and legal persons that have been included in the risk group	
Group's risk group [(1) (2)]	**Cash**	**Non-cash**	**Cash**	**Non-cash**	**Cash**	**Non-cash**
Loans						
Balance at the beginning of the period	8.523	10.130	413.696	1.358.830	2.582.313	3.078.551
Balance at the end of the period	1.759	62.560	340.888	1.378.681	2.510.875	4.107.272
Interest and commission income received	**446**	**59**	**10.821**	**3.550**	**190.958**	**9.576**

Prior Period	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Group		Other real and legal persons that have been included in the risk group	
Group's risk group [(1) (2)]	**Cash**	**Non-cash**	**Cash**	**Non-cash**	**Cash**	**Non-cash**
Loans						
Balance at the beginning of the period	21.974	8.492	519.444	1.158.561	2.394.592	2.586.737
Balance at the end of the period	8.523	10.130	413.696	1.358.830	2.582.313	3.078.551
Interest and commission income received[(3)]	**767**	**53**	**3.587**	**4.200**	**151.739**	**6.121**

(1) Defined in subsection 2 of the 49th article of Banking Act No. 5411.
(2) The balances at the beginning and end of the periods are disclosed as the total of buy and sell amounts of derivative financial instruments.
(3) Previous period presents profit / loss information of June 30, 2017

5.1.2. Information on deposits of the Group's risk group:

Group's risk group [(1) (2)]	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
Deposit	**Current Period**	**Prior Period**	**Current Period**	**Prior Period**	**Current Period**	**Prior Period**
Beginning of the period	27.440	232.820	33.489.119	24.423.963	18.301.565	14.406.822
End of the period	32.430	27.440	35.556.124	33.489.119	18.471.999	18.301.565
Interest expense on deposits[(3)]	**1.795**	**2.558**	**970.324**	**667.925**	**477.030**	**386.345**

(1) Defined in subsection 2 of the 49th article of the Banking Act No. 5411.
(2) The information in table above includes borrowings, marketable securities issued and repo transactions as well as deposits.
(3) Previous period presents profit / loss information of June 30, 2017.

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”))

5.1.3. Information on forward and option agreements and other derivative instruments with the Group’s risk group:

Group’s risk group (1)	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
	Current Period	**Prior Period**	**Current Period**	**Prior Period**	**Current Period**	**Prior Period**
Transactions at fair value through profit or loss						
Beginning of the period(2)	-	-	4.585.782	8.532.884	4.263.455	1.104.683
End of the period(2)	-	-	4.389.265	4.585.782	4.743.731	4.263.455
Total profit / loss(3)	**289**	**(153)**	**131.775**	**96.724**	**(413.061)**	**14.031**
Transactions for hedging purposes(2)						
Beginning of the period(2)	-	-	1.375.186	-	-	-
End of the period(2)	-	-	1.451.787	1.375.186	-	-
Total profit / loss(3)	**-**	**-**	**101.787**	**-**	**-**	**-**

(1) Defined in subsection 2 of the 49th article of the Banking Act No. 5411.
(2) The balances at the beginning and end of the periods are disclosed as the total of buy and sell amounts of derivative financial instruments.
(3) Previous period presents profit / loss information of June 30, 2017.

5.2. Information regarding benefits provided to the Group’s top management:

Salaries and benefits paid to the Group’s top management amount to TL 38.523 as of June 30, 2018 (June 30, 2017- TL 39.327).

6. Explanations and notes related to subsequent events :

None.

Section six - Explanations on independent audit review report

1. Explanations on independent auditor’s report

The consolidated financial statements for the period ended June 30, 2018 have been reviewed by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. The independent auditor’s review report dated July 31, 2018 is presented preceding the consolidated financial statements.

2. Explanations and notes prepared by the independent auditor

None.

Section Seven[(1)]

Interim activity report

1.1. Message from Yapı Kredi's Board of Directors Chairman Y. Ali Koç:

In the first half of 2018, the macro environment continued to be volatile for the banking sector, given both global and local uncertainties. Increase in uncertainties prior to the general elections, worsening of international perception towards emerging markets and downgrade of rating agencies caused TL depreciation, increase in interest rates while the inflation level continued to be elevated. Central Bank of Turkey hiked the average funding rates by 500 bps and simplified the interest rate policy in order to prevent the volatilities in the market.

In the first half of the year, total loans in the banking sector reached TL 2.269 billion indicating 12% year-to-date growth, with the help of ongoing support from the Credit Guarantee Fund and depreciation in TL. During the same period, total deposits reached TL 1.897 billion, indicating 12% year-to-date growth. Accordingly, sector's loan to deposit ratio including TL bonds materialised at 120%. The banking sector's non-performing loan ratio improved 4 basis points year-to-date to 2,9% supported by non-performing loan sales of TL 3.015 billion (13 basis points impact).

In this period, Yapı Kredi successfully completed the biggest rights issue of the last ten years. This rights issue once again restored the trust of Koc Holding, the leader group of Turkey and UniCredit, the simple and successful Pan-European bank regarding Turkey.

In the first six months of 2018, Yapı Kredi recorded a strong profitability improvement with a balanced volume growth while preserving its solid fundamentals. The Bank's healthy liquidity profile was further reinforced by renewal of its syndication loan with 111% roll-over ratio and the issuance of a five-year US$ 500 million Eurobond in the international debt capital markets. In addition, the Bank issued US$ 215 million securitisation and US$ 369 million covered bond in the period. All of these international issuances reaffirm the confidence of international markets in both Yapı Kredi and Turkey.

I would hereby like to extend my thanks to all our customers and shareholders for their continuous support and trust, and our employees for their devoted efforts.

Y. Ali Koç
Chairman of the Board

(1) Unless otherwise stated, all figures in the section seven are expressed in full TL.

1.2. Message from Yapı Kredi's CEO Gökhan Erün:

In the first half of 2018, the volatility in the operating environment increased due to pre and post election uncertainties, increasing global uncertainties and rating downgrades from international rating agencies. The Central Bank of Turkey continued to tighten the monetary policy and simplified the interest rate policy (in order to limit the deprecation in TL and to control the inflation levels). In May, the Government introduced the third tranche of the Credit Guarantee Fund, which supported the banking environment together with the improvement in consumer confidence.

In June 2018, Yapı Kredi successfully increased its paid capital by TL 4,1 billion with the support of its two main shareholders and market participants.

In the first half of the year, with the controlled growth resulting in a sustainable revenue generation, further focus on cost control, the Bank's total assets increased to TL 365,1 billion and net income recorded at TL 2.471 million.

In terms of performing cash loans, with the support of active utilization of Credit Guarantee Fund, Yapı Kredi recorded 11% growth year-to-date reaching to TL 222,2 billion indicating 16,2% market share among private banks. Growth was driven by a balanced approach and the Bank continued to support companies and exporters. At the same time, the Bank maintained its leadership position in credit cards with 21,1% outstanding volume market share.

In terms of funding, the Bank recorded 11% deposit growth year-to-date reaching to TL 192,8 billion indicating 15,5% market share among private banks. Balanced growth in loans and deposits led to 114% loans to deposits ratio including TL bonds.

Digitalisation remained a strong focus area for Yapı Kredi. As "The Digital Bank of Turkey", share of digital channels in non-cash transactions stands at 96%. Moreover, in the past one year, number of digital customers increased by 1,1 million to 4,9 and mobile banking customers increased by 1,2 million to 4,3 million.

I would like to take this opportunity to thank our customers and shareholders for their trust and our employees for their continuous efforts.

Gökhan Erün
CEO

1.3. Overview of Financial Performance:

On 31 July 2018, Yapı Kredi announced its consolidated results for the first half of 2018 based on Turkish accounting standards (Banking Regulation and Supervision Agency). The Bank's cash and non-cash loans reached TL 314,4 billion while total deposits rose to TL 192,8 billion. The Bank's net income increased by 31% year-over-year and reached TL 2.471 million indication return on average tangible equity of 16,4%.

Balanced volume growth

Yapı Kredi's market share among private banks in loans and deposits was recorded at 16,2% and 15,5%, respectively.

The Bank achieved 11% year-to-date growth in loans reaching to TL 222,2 billion. Loan growth was mainly driven by commercial segment supported by the higher level of CGF utilisation compared to 2017. In the first half of 2018, Yapı Kredi increased its market share by 130 bps reaching 7,1% in Credit Guarantee Fund. The Bank's deposit growth was in line with the loan growth at 11% year-to-date and reached TL 192,8 billion. Deposit growth was mainly driven by customer deposits, especially in FX currency, as a result of the volatility in exchange rate. Accordingly, loan-to-deposits plus TL bonds ratio loan-to-deposits plus TL bonds ratio realised at 114%.

In line with the Bank's focus on effective diversification of funding sources, in May 2018, the Bank renewed its syndication at USD 1,5 billion corresponding to 111% roll-over ratio with the participation of 48 banks from 19 countries.

Improvement in capital ratios through capital injection and ongoing internal capital generation

Despite the fluctuations in Lira and volatility in the interest rates, the Bank continued to support its capital ratios with internal capital generation and TL 4,1 billion worth of capital increase that has been completed in June 2018. As a result, consolidated Capital Adequacy Ratio and Common Equity Tier-1 ratio increased by 104 bps on a year to date basis to 13,9% and 82 bps points to 10,7%, respectively.

Solid profitability driven by core business

In the first half of 2018, Yapı Kredi increased its total revenues by 24% year-over-year driven by double digit growth in both fees and net interest income. On the other hand, continued discipline in cost management was evident with cost growth contained at 8% compared to inflation of 15,4%. Accordingly, cost-to-income ratio improved 539 basis points year-over-year to 35,1%. In the first period, Yapı Kredi classified a couple of corporate loans as non-performing with a cautious approach, together with the depreciation in TL and worsening operating environment, provisions increased by 39% year-on-year, cost-of-risk increased to 115 basis points. In the first half of 2018, Yapı Kredi sold a non-performing loan portfolio of TL 1,6 billion principal amount within the scope of continued active stock management. Hence, the npl ratio improved by 53 bps year-to-date reaching 3,8%. All in all, net income increased 31% year-over-year and the Bank achieved 16,4% return on average tangible equity.

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

1.4. Summary of Consolidated Financials

TL million	**30.06.2018**	**31.12.2017**
Total Assets	365.066	320.066
Performing Loans	222.176	199.874
Total Deposits	192.825	173.384
Shareholder's Equity	37.805	30.102
Loans/ Assets	61%	62%
Deposits/Assets	53%	54%
NPL	3,8%	4,4%
CAR	13,9%	13,4%

TL million	**30.06.2018**	**30.06.2017**
Net Profit	2.471	1.893
Return on Average Tangible Equity	16,4%	14,7%

1.5. Important Developments and Transactions Affecting the Bank's Financial Performance:

- In 2Q18, Yapı Kredi sold non-performing loan portfolio amounting to TL 1.020 million. The transaction was reflected in Yapı Kredi's 2Q18 financials.

- On 1 May 2018, international Rating Agency Standard & Poor's (S&P) has downgraded Turkey's Sovereign rating note from "BB" to "BB-" while upgrading the outlook from "Negative" to "Stable". Following the Downgrade of Turkey's Sovereign rating, S&P also revised six Turkish Banks' rating including Yapı Kredi. The rating agency, lowered Yapı Kredi's Long-Term Issuer Credit Rating from "BB" to "BB-", Long-Term Turkey National Scale Rating from "trAA-" to "trA+", while maintaining all the remaining rating scales. In accordance with the change in the Sovereign outlook, S&P upgraded the Bank's outlook from "Negative" to "Stable".

- In May 2018, the Bank renewed its syndication at USD 1,5 billion corresponding to 111% roll-over ratio with the participation of 48 banks from 19 countries.

- International rating agency Fitch's announced that, it has affirmed Yapı Kredi's long-term and short-term LC IDRs, as 'BBB-' and 'F3', respectively. Additionally, Fitch has affirmed National Long Term Rating as 'AAA(tur)'. Nonetheless, Fitch has placed the Bank's long-term FC IDR : "BBB-"; short-term FC IDR: "F3"; viability rating "bb+"; support rating: "2"; senior unsecured notes "BBB-'/'F3"; and subordinated notes "BB+" on "Rating Watch Negative".

- On 7 June 2018, international rating agency Moody's announced that, following the placement of Turkish government's rating under negative review for downgrade on 1 June 2018, it has downgraded ratings of 17 Turkish financial institutions and placed the ratings for negative review for downgrades. Accordingly, the rating agency downgraded Yapı Kredi's Long-term Local Currency Deposits, Baseline Credit Assessment, Adjusted Baseline Credit Assessment, Long term National Scale rating and Senior

Unsecured rating by one notch and placed under review for further downgrade, also placing the Long-term Foreign Currency (Ba3) and Short-term National Scale rating (TR-1) on review for downgrade. The rating agency affirmed Yapı Kredi's Short-term ratings.

- On 31 May 2018, the Capital Markets Board (CMB) has approved the Bank's application with regards to the increase in the Bank's issued capital. After the necessary actions have been taken, in June 2018 the Bank completed the process of increasing its issued capital in cash by TL 4.100.000.000 to TL 8.447.051.284 from TL 4.347.051.284 TL.

1.6. Current Trends and Expectations for the Upcoming Period:

Yapı Kredi maintained its current expectations for 2018, by foreseeing a downside risk regarding cost of risk and capital adequacy ratio, due to worsening macro environment.

2018 Yapı Kredi expectations:

- Loan growth: Lending mainly driven by TL commercial and individual loans, mild increase in FC lending
- Funding: Further increase in the share of retail deposit and retail demand deposits in total
- Revenues: Flattish NIM with ongoing repricing efforts fee growth supported by diversification efforts and customer acquisition, strong focus on digital sales
- Costs: Below inflation cost growth; ongoing «cost elimination» through digitalization, digitalization focus to decrease «cost to serve»
- Asset Quality: Improvement in NPL ratio with slowdown in net new NPL inflows, stock management through NPL sales might continue depending on the market conditions, slightly better CoR
- Fundamentals: Ample liquidity levels with loan-to-deposit ratio in between 110% - 115%, and solid capital adequacy ratio above 15% with ongoing internal capital generation and newly introduced capital strengthening plan.
- All resulting in high-teens earnings growth with improvement in the ROATE.